Inland Revenue
Te Tari Taake

IR375
April 2024

# GST guide

## Working with GST

# Important changes

## 'Tax invoice' requirements replaced by 'taxable supply information'

From 1 April 2023, the requirement to use tax invoices has been replaced by a more general requirement to provide and keep certain records known as taxable supply information.

Taxable supply information refers to a minimum set of information buyers and sellers need to keep as evidence of a transaction. The taxable supply information required depends on the value and the type of supply and no longer needs to be in a single physical document, such as a tax invoice.

Your transaction records, accounting systems and contractual documents may, in combination, contain all the information you need to support the figures in your GST returns.

For more information about taxable supply information go to page 8 of this guide, or **ird.govt.nz/gst**

## 'Debit note' and 'credit note' requirements replaced by 'supply correction information'

From 1 April 2023, debit and credit note requirements to correct previously issued tax invoices, have been replaced with requirements to provide and keep supply correction information.

Supply correction information must be provided when the taxable supply information (for example, invoice) included an incorrect amount of GST, or when the seller has included an incorrect amount in their GST return for a taxable supply they have made.

For more information about supply correction information go to page 18 or **ird.govt.nz/gst**

## GST adjustments for business, private or exempt use

From 1 April 2023,

- When you acquire goods or services for $10,000 or less (excluding GST), you can choose to use the principal purpose method or the apportionment method for claiming GST.
- The number and the value of the adjustment periods have changed. Fewer adjustments are required for land, as well as goods and services $20,000 or less.
- You can elect to treat goods as non-taxable supplies when their principal purpose is not for use in your taxable activity.

# Contents

# Introduction

This guide tells you how GST works and how businesses manage their GST obligations.

Our **GST Plus - IR546** guide has more information on some less frequent and/or complex GST issues.

## Non-resident GST rules

The GST rules for non-residents depend on the circumstances of the business.

If you're a non-resident business that does not carry out activity in New Zealand, but you receive goods or services here, you may be able to register for and claim GST.

For more information go to
**ird.govt.nz/gst/gst-for-overseas-businesses**

## GST registration

You must register for GST if your turnover (sales from taxable activities), including certain imported services you receive:

- was over $60,000 for the last 12 months, or
- is expected to go over $60,000 for the next 12 months.

A business must have a taxable activity to register for GST. A 'taxable activity' is an activity that is carried on continuously or regularly, and involves or is intended to involve the supply of goods or services to another person for consideration. If you have a taxable activity, you can voluntarily register for GST if your turnover is less than $60,000.

If you have not already registered for GST and need help deciding, use our guided help – **Do I need to register for GST**?

You can register for GST in myIR.

The GST registration confirmation we send you includes your:

- GST number (this may be the same as your IRD number)
- registration start date
- accounting basis (the way you claim and pay your GST)
- taxable period and filing frequency (how often you need to file returns).

> ▶ If you register voluntarily for GST, and later decide this was a mistake, you can cancel your registration. See Part 3 of this guide for more information about cancelling your GST registration.

## Filing in myIR

You can file your GST returns in myIR. myIR provides instant confirmation you've filed and faster processing of your returns.

Register for **myIR**

myIR is available 24 hours a day, 7 days a week.

## Filing in accounting software

You can file GST returns using accounting software.

Accounting software benefits include:

- your GST return is pre-populated, so you do not need to copy figures into your myIR or paper return
- instant confirmation your return is filed.

Confirm with your software provider if this filing feature is available as part of their software package.

# Part 1 - Explaining GST

## What GST is charged on

GST is a tax, usually 15%, charged by GST registered businesses on the supply (sale) of most goods and services in New Zealand, most goods imported into New Zealand and some specified imported services.

Some examples of taxable activities undertaken and where GST may be charged are businesses that supply:

- **services** such as graphic design, hairdressing, mechanical building, painting
- **products** such as clothing or cars, fish and chips
- **experiences** such as bungee jumping, skiing, kayaking, going to the movies
- **professional services** such as legal advice.

### Adding GST to your goods or services

When adding GST to the price of goods and services, multiply the amount by 15% (or 0.15) to get the GST-inclusive price.

If the price already includes GST, multiply it by 3 then divide by 23 to find out the GST amount. Subtract this to get the GST-exclusive amount.

***Example***

| Adding GST | | Subtracting GST | |
|---|---|---|---|
| Product | \$ 100<br>× 15% | Product | \$115<br>x 3 ÷ 23 |
| GST amount | \$ 15 | GST amount | \$ 15 |
| Product<br>Plus GST amount | \$ 100<br>\$15 | Product<br>Less GST amount | \$115<br>\$ 15 |
| GST-inclusive total | \$ 115 | GST-exclusive amount | \$100 |

You can also calculate the GST component by dividing the GST-inclusive price by 7.66666666. You must use at least 8 decimal places to calculate the correct GST component as using fewer decimal places can result in an incorrect answer.

Using the fraction method (multiplying by 3 and then dividing by 23) will always provide you with an accurate answer.

### What happens to GST collected from your customers and paid on your purchases?

- You collect GST through the sale of goods and services.
- You pay GST through purchases and business expenses.

When you file your GST return, you work out the difference between the amount of GST you've collected and the amount of GST you've paid.

- If you've paid out more GST than you've collected, you'll receive a GST refund.
- If you've collected more GST than you've paid, you'll need to pay the difference to us by the due date.

You can only charge GST on your sales and income or claim it back on purchases and expenses if you're registered.

> ▶ When you receive GST from your customers, you hold this money to pass on to us. GST is not income for the business and needs to be paid to us when you file your GST return.

# Understanding basic GST requirements

## Filing GST returns

You're required to file regular GST returns. You can choose your GST return filing frequency (how often you file) – monthly, 2-monthly or 6-monthly. Your taxable period for 2 or 6 monthly returns must align to your balance date.

If you did not choose a taxable period when you registered, we'll put you on the 2-monthly option matching your balance date.

You can apply to change your taxable period if this does not suit.

Send a message in myIR telling us which taxable period and filing frequency you prefer. If we approve the change, we'll tell you when to start using your new taxable period - do not change until we confirm this with you.

> ▶ Your GST taxable period must align with your balance date. For example, if you file your GST returns 2-monthly and have a March balance date your taxable periods are April-May, June-July, August-September, October-November, December-January, February-March.

### Monthly

- You must file monthly returns if your sales are over $24 million in any 12-month period.
- For a GST group the $24 million applies to the group as a whole.

Anyone can choose to file monthly GST returns. Monthly returns may suit you if you're entitled to frequent GST refunds.

### 2-monthly

- Anyone with sales under $24 million in any 12-month period.
- For a GST group the $24 million applies to the group as a whole.

You can choose to file your returns in odd or even months aligned to your balance date. Filing returns every 2 months helps keep you on top of your GST requirements and in touch with your business's progress.

### 6-monthly

- Anyone with sales under $500,000 in any 12-month period.
- For a GST group the $500,000 applies to the group as a whole.

If you use this option, you will only need to file 2 GST returns a year. This can be a big job for 6 months' worth of trading in one go. This option is more suitable if your business does not have a large volume of transactions.

## When to file your returns

We'll send you a reminder in myIR, when your GST return is ready for you to file. The reminder includes the due date for filing and making any payment.

The due date is usually the 28th of the month following the end of your taxable period, except for return periods ending:

- 30 November – the due date is 15 January of the following year
- 31 March – the due date is 7 May of the same year.

If the due date for your GST return falls on a weekend or public holiday, it will be due the next working day.

Remember, file and pay on time to avoid late filing penalties, late payment penalties and interest.

## What are my options for claiming and paying GST?

There are 3 ways of accounting for GST; payments, invoice or hybrid. You should choose the accounting basis that best suits your business.

If you do not choose an accounting basis when you register, we'll put you on the invoice basis.

If you want to change your accounting basis after you've registered, you can do this in myIR.

### Payments basis

Under the payments basis, account for GST at the end of the taxable period when you make or receive the payment. This helps manage cash flow because you only pay us GST after you've received the payment from your customers, and you only claim GST for the purchases and expenses you've paid for. You are only entitled to claim GST for purchases and expenses for which you hold taxable supply information.

### Invoice basis

Using the invoice basis, you account for GST at the end of the taxable period when you issued an invoice to your customers or received an invoice and hold taxable supply information from your supplier.

### Hybrid basis

Under the hybrid basis you account for GST on sales and income using the invoice basis, and account for GST on expenses and purchases when you actually make payment. **Note:** This method is not commonly used by small businesses because of negative cashflow consequences. This is because you may return GST on invoiced sales before you have received payment, but you can only claim GST when you have paid for your purchases (not when invoiced).

| Accounting basis | Who is eligible | What you need to do |
|---|---|---|
| Payments basis | If your total sales are:<br>• $2 million or less in the last 12 months<br>• likely to be $2 million or less in any 12-month period, beginning on the first day of a month. | In your GST return for the period include:<br>• amounts you've been paid by customers<br>• amounts you've paid to suppliers if you hold taxable supply information. |
| Invoice basis | Anyone | In your GST return for the period include:<br>• amounts you've notified customers to pay by invoice, even if you have not been paid yet<br>• the full sale price if customers have paid any amount before you've invoiced them<br>• amounts you've been invoiced by suppliers if you hold taxable supply information. Even if you have not paid them yet. |
| Hybrid basis | Anyone<br>**Note**: This method is not commonly used by small businesses because of negative cashflow consequences. | In your GST return:<br>• use the invoice basis for your sales<br>• use the payments basis for your expenses. |

## What GST is not charged on

Some goods and services do not have GST added to them. These are:

- sales by an unregistered person
- sales of private property (for example, a car or home not used for business)
- exempt supplies.

### Exempt supplies

GST is not charged on exempt supplies, and they're not included in your GST return. These include:

- financial services such as interest payments on loans or bank fees
- donated products and services which are sold by not-for-profit organisations
- rent paid on a private home
- penalty interest.

> ▶ You cannot claim expenses relating to exempt supplies. You do not show income from the exempt supply in your GST return.

### Zero-rated supplies

Some goods and services are not exempt supplies, but GST is charged at 0%. For example:

- exported goods
- sales of going concerns (selling or buying a business that will continue to run as the same type of business)
- sale of land (where certain criteria are met).

If you have zero-rated supplies you can claim GST on your expenses.

In myIR include all zero-rated supplies with your total sales and income and just the zero-rated supplies amount in the next field. These are Box 5 and Box 6 for paper returns

***Example***

Joe's taxable activity is growing and selling apples. He exports some to America.

Joe can claim the full cost of fertilisers and sprays used in the business.

GST is not charged on the apples Joe sells to America. He enters the income as part of his sales in his GST return and then separates the amounts between the zero-rated supplies and taxable supplies.

# Record keeping

Records must be in English or Māori unless Inland Revenue has approved keeping your records in another language.

For tax records kept in Māori numerals must be 1, 2, 3 etc.

**Key points**

- Keep all the documents supporting and explaining your GST figures.
- Keep business records for 7 years.
- Complete records save you time.
- Provide your GST number to customers as part of your taxable supply information.

Good record keeping helps you complete and file your GST returns.

You must:

- keep records of all your sales and income including taxable supply information and supply correction information
- keep taxable supply information and supply correction information for your purchases and expenses, such as invoices, receipts, or other documents.

Decide on a record keeping system to suit your needs. For example:

- a software programme you can enter all your financial information electronically and apply formulas to calculate your GST
- a cashbook to develop your own records for your income, expenses, and GST.

Make sure you have all the relevant taxable supply information (invoices, receipts or other documents), supply correction information, and bank statements for your business. This will help you find items quickly.

You could set up a system by:

- date order
- supplier
- taxable period
- accounting basis for example, if you use the payments basis, file your paperwork in the month you made the payment.

At some stage we may audit your business. During an audit we look at your GST records and systems. How you document and maintain your GST records is very important.

For example, keeping your zero-rated invoices separate from your other invoices is a good idea because they go in a separate box on your GST return.

# Taxable supply information

The requirement to use tax invoices has been replaced by a more general requirement to provide and keep certain records known as 'taxable supply information'.

Taxable supply information refers to the minimum set of information buyers and sellers need to keep as evidence of a transaction. The taxable supply information required depends on the value and the type of supply and no longer needs to be in a single physical document, such as a tax invoice, credit note, or debit note.

Your transaction records, accounting systems and contractual documents may, in combination, contain all the information you need to support the figures in your GST returns.

Taxable supply information includes invoices, but it can also include information held in other forms, such as supplier agreements, contracts, and bank statements.

Sellers can provide taxable supply information to a customer using an automated direct exchange between the buyer's and seller's software, for example PEPPOL (Pan-European Public Procurement Online) eInvoicing.

You need to keep taxable supply information to claim GST on your supply purchases and expenses relating to your taxable activity.

You should provide taxable supply information such as an invoice, receipt or other documentation when you sell goods or services. If the sale is $200 or less (including GST), you do not need to provide taxable supply information to the buyer but both you and a registered buyer must keep your own records of the transaction for GST record keeping requirements.

## Taxable supply information buyers and sellers must keep

| | Taxable supply amounts | | |
|---|---|---|---|
| | **$200 or less** | **More than $200 and up to $1,000** | **More than $1,000** |
| Seller's details | • Name or trade name of the seller | • Name or trade name of the seller<br>• GST number | • Name or trade name of the seller<br>• GST number |
| Buyer's details | • Not required | • Not required | • Name, and 1 or more of the following:<br>- address (physical or postal)<br>- contact phone number<br>- email address<br>- trading name if different to the buyer's name<br>- New Zealand business number or website URL address. |
| Date | • Date of invoice<br>• If no invoice provided, the time of supply date | • Date of invoice<br>• If no invoice provided, the time of supply date | • Date of invoice<br>• If no invoice provided, the time of supply date |
| Information on the goods or services | • Description of the goods or services | • Description of the goods or services | • Description of the goods or services |
| Payment information | • The consideration for the supply<br>Consideration can be a<br>• payment<br>• act<br>• holding back from using a legal right - for example, forgiving debt instead of enforcing payment.<br>An unconditional gift paid to a not-for-profit organisation is not consideration for a supply. | Either:<br>• GST exclusive amount,<br>• GST amount, and<br>• GST inclusive amount<br>Or<br>• GST inclusive amount and<br>• a statement GST is included, charged at the standard rate for all the goods and services listed. | Either:<br>• GST exclusive amount,<br>• GST amount, and<br>• GST inclusive amount<br>Or<br>• GST inclusive amount and<br>• a statement GST is included, charged at the standard rate for all the goods and services listed. |

## Taxable supply information buyers must keep for imported goods and services and secondhand goods

| | **Type of supply** | |
|---|---|---|
| | **Imported goods and services** | **Secondhand goods** |
| Seller's details | • Name or trade name of the seller<br>• Address | • Name or trade name of the seller<br>• Address |
| Buyer's details | • Not required | • Not required |
| Date | • Date of invoice<br>• If no invoice provided, the time of supply date | • Date the goods were supplied |
| Information on the goods or services | • Description of the goods or services | • Description of the goods<br>• Quantity or volume of the goods |
| Payment information | • The consideration for the supply (see below)<br>• For a supply within a commonly owned group from an off-shore group member the consideration may in some situations be reduced to the extent the consideration amount can be shown to represent salary or wages paid to an employee, or interest incurred, by the seller or a company in a commonly owned group with the seller.<br>Consideration can be a<br>• payment<br>• act<br>• holding back from using a legal right - for example, forgiving debt instead of enforcing payment.<br>An unconditional gift paid to a not-for-profit organisation is not consideration for a supply. | • The supply amount. |

Taxable supply information must be provided to GST registered buyers within 28 days of a request (or by an alternative date agreed to by the parties) for supplies over $200.

Amounts of money must be expressed in New Zealand currency.

Taxable supply information should only be provided once. If the buyer loses theirs, you can provide a copy.

You do not need to mark it as a copy.

# Part 2 - How to complete and file GST returns

## The GST return

To complete your return work out the **difference** between:

- the GST you've added to goods or services you sell, and
- the GST you can claim back from business expenses and purchases.

Remember, your business sales represent your income and your business purchases represent some of your expenses.

## Completing your return

The following information will help you complete your return. The steps are the same whether you're completing your return in myIR or on paper.

Non-resident GST businesses have different rules - refer to **ird.govt.nz/gst/gst-for-overseas-businesses** for information on how to complete a GST return.

## Filing your GST return online

Filing online in myIR or your accounting software makes it easier for you to meet your GST requirements. It's simple, secure, and immediate.

Filing online offers you:

- **Convenience**: By completing your GST return online, you can avoid postage costs and delays. When combined with electronic banking, the entire online process gives you greater certainty.
- **Confidence:** You'll get a time stamped receipt confirming your return has been successfully filed for us to process. You can save and/or print the confirmation page for your reference.
- **Fixing mistakes:** If you make a mistake, you can easily fix the error in myIR.
- **Faster refunds:** It's quicker to file in myIR and there are no post delays associated with paper-based returns.

## Which paper form do I use?

You file a simple GST 101A if you're not liable for provisional tax.

You file a form in the GST 103 series if you're liable for provisional tax.

## GST101A

Use the following worksheets to help complete your return.

First, sort your information into 2 separate groups:

- GST on sales
- GST on expenses.

Your personal details are printed in the top panel. They include your GST number, the period covered by the return, due date, mailing address and daytime phone number. You can update your details in Boxes 3 and 4. If you're sending in a return that does not have your details and return period pre-printed, make sure you fill in these details. If you're completing the return online you'll need to complete these details in Boxes 1 to 4

**Page 1 of your GST101A**

**Work out GST on sales and income**

| Box | Action | Completed √ |
|---|---|---|
| 5 | Add up all sales and income for your taxable activity including any zero-rated supplies. This includes the GST amount of the sales and income.<br>Enter this figure in Box 5 on the return. | |
| 6 | Separate out the amount of zero-rated supplies. (You're most likely to have zero-rated supplies if you're an exporter.) If you do not have any zero-rated supplies go to the next step.<br>Enter the total amount of zero-rated supplies in Box 6 on the return. | |
| 9 | Use your calculation sheet to work out the amount you need to enter if you're making adjustments. If you're not making any adjustments go to the next step.<br>Enter any adjustments in Box 9 of the return. | |

**Work out GST on purchases and expenses**

| Box | Action | Completed √ |
|---|---|---|
| 11 | Total all purchases and expenses (including GST). You'll find this information in your cashbook or spreadsheet. Make sure you have taxable supply information for your expenses.<br>Enter this figure in Box 11 of the return. | |
| 13 | Use your calculation sheet to work out the amount you need to return if you're making any adjustments. If you're not making any adjustments go to the next step.<br>Enter any credit adjustments in Box 13 of the return. | |

**Work out if you have a GST refund or GST payment**

| Box | Action | Completed √ |
|---|---|---|
| 15 | Work out the difference between Boxes 10 and 14 on the return to see if you have a GST refund or GST to pay. Enter this figure in Box 15 of the return. | |
| | If Box 14 is bigger than Box 10 the difference is your GST refund. | Refund |
| | If Box 10 is bigger than Box 14 the difference is your GST to pay. | Payment |
| | If the amounts in Boxes 10 and 14 are the same, you have a nil GST return. You do not need to make a payment and you will not receive a refund for this taxable period. Remember, you must still file the GST return by the due date. | Nil balance |
| | **Read and sign the declaration.** | |

**Example: GST101A**

Inland Revenue
Te Tari Taake

*Goods and Services Tax Act 1985*

GST101A
April 2023

# Goods and services tax return

**For help in completing this return go to ird.govt.nz/gst**

Registration no. 1

Period covered by the return 2

Return and payment due

If your correct **postal** address for GST is **not** shown above, print it in Box 3. 3

If your correct daytime phone number is **not** shown here, print it in Box 4. 4 Area code Phone number

**Goods and services tax on your sales and income**

| | | |
|---|---|---|
| **Total sales and income** for the period (including GST and any zero-rated supplies) | 5 | $ |
| Zero-rated supplies included in Box 5 | 6 | $ |
| Subtract Box 6 from Box 5 and enter the difference here | 7 | $ |
| **Multiply the amount in Box 7 by three (3) and then divide by twenty-three (23)** | 8 | $ |
| Adjustments from your calculation sheet | 9 | $ |
| Add Box 8 and Box 9. This is your **total GST collected** on sales and income | 10 | $ |

***OFFICE USE ONLY***
Correspondence indicator

**Goods and services tax on your purchases and expenses**

| | | |
|---|---|---|
| **Total purchases and expenses** (including GST) – excluding any imported goods. Keep the records required to support your claims. | 11 | $ |
| **Multiply the amount in Box 11 by three (3) and then divide by twenty-three (23)** | 12 | $ |
| Credit adjustments from your calculation sheet | 13 | $ |
| Add Box 12 and Box 13. This is your **total GST credit** for purchases and expenses | 14 | $ |
| **Print the difference between Box 10 and Box 14 here** | 15 | $ |

**Declaration**

*The information in this return is true and correct and represents my assessment as required under the Tax Administration Act 1994.*

Signature / / Date

(Tick one)

If Box 14 is larger than Box 10 the difference is your GST refund — Refund

If Box 10 is larger than Box 14 the difference is GST to pay — GST to pay

**Please turn over to complete any additional information and payment slip**

## GST103

If you pay provisional tax as well as GST you'll receive a GST103 form. This will be tailored to your circumstances, and you'll only see the sections relevant to you.

Use the following worksheets to help complete the form. First, sort your information into two separate groups:

- GST on sales
- GST on expenses.

Your personal details are printed in the top panel. They include your GST number, the period covered by the return, due date, mailing address and daytime phone number. You can update your details in Boxes 3 and 4. If you're sending in a return that does not have your details and return period pre-printed, make sure you fill in these details.

If you're completing the return online, you'll need to complete these details in Boxes 1 to 4.

> ▶ You cannot claim expenses relating to exempt supplies. You do not show income from the exempt supply in your GST return.

| Work out GST on sales and income | | |
|---|---|---|
| **Box** | **Action** | **Completed √** |
| 5 | Add up all sales and income for your taxable activity including any zero-rated supplies. Include the GST amount of the sales and income.<br>Enter this figure in Box 5 on the return. | |
| 6 | Separate out the amount of zero-rated supplies. (You're most likely to have zero-rated supplies if you're an exporter.) If you do not have any zero-rated supplies go to the next step.<br>Enter the total amount of zero-rated supplies in Box 6 of the return. | |
| 9 | Use your calculation sheet to work out the amount you need to enter if you're making adjustments. If you're not making any adjustments, go to the next step.<br>Enter any adjustments in Box 9 of the return. | |
| **Work out GST on purchases and expenses** | | |
| **Box** | **Action** | **Completed √** |
| 11 | Total all purchases and expenses (including GST). You'll find this information in your cashbook or spreadsheet. Make sure you have taxable supply information for your expenses.<br>Enter this figure in Box 11 of the return. | |
| 13 | Use your calculation sheet to work out the amount you need to return if you're making any adjustments. If you're not making any adjustments, go to the next step.<br>Enter any credit adjustments in Box 13 of the return. | |

| Work out if you have a GST refund or GST payment | | |
|---|---|---|
| 15 | Work out the difference between Boxes 10 and 14 to see if you have a GST refund or GST to pay.<br>Enter this figure in Box 15 of the return. | |
| | If Box 14 is bigger than Box 10 the difference is your GST refund. | Refund |
| | If Box 10 is bigger than Box 14 the difference is your GST to pay. | Payment |
| | If the amounts in Boxes 10 and 14 are the same, you have a nil GST return. You do not need to make a payment and you will not receive a refund for this taxable period. Remember, you must still file the GST return by the due date. | Nil balance |

**Example: Page 1 GST103B**

*Goods and Services Tax Act 1985*
*Income Tax Act 2007*

# Goods and services tax return

**For help in completing this return go to ird.govt.nz/gst**

**GST103B**
April 2023

Registration no. **1**

Period covered by the return

**2**

Return and payment due

If your correct **postal** address for GST is **not** shown above, print it in Box 3. **3**

If your correct daytime phone number is **not** shown here, print it in Box 4. **4**

Area code Phone number

**Part 1 – GST calculation**

**Goods and services tax on your sales and income**

| | | |
|---|---|---|
| **Total sales and income** for the period (including GST and any zero-rated supplies) | 5 | $ |
| Zero-rated supplies included in Box 5 | 6 | $ |
| Subtract Box 6 from Box 5 and enter the difference here | 7 | $ |
| **Multiply the amount in Box 7 by three (3) and then divide by twenty-three (23)** | 8 | $ |
| Adjustments from your calculation sheet | 9 | $ |
| Add Box 8 and Box 9. This is your **total GST collected** on sales and income | 10 | $ |

**Goods and services tax on your purchases and expenses**

| | | |
|---|---|---|
| **Total purchases and expenses** (including GST) – excluding any imported goods. Keep the records required to support your claims. | 11 | $ |
| **Multiply the amount in Box 11 by three (3) and then divide by twenty-three (23)** | 12 | $ |
| Credit adjustments from your calculation sheet | 13 | $ |
| Add Box 12 and Box 13. This is your **total GST credit** for purchases and expenses | 14 | $ |
| **Print the difference between Box 10 and Box 14 here** | 15 | $ |

(Tick one)

If Box 14 is larger than Box 10 the difference is your GST refund — Refund

If Box 10 is larger than Box 14 the difference is GST to pay — GST to pay

**Please turn over to complete provisional tax and payment slip**

**Page 2 of your GST103**

This part of the form relates to your provisional tax.

The following instructions relate to all the boxes on the full return. If you receive a pre-printed return, only the boxes you need to complete will be on it.

| Work out provisional tax calculation using the ratio option | | |
|---|---|---|
| **Box** | **Action** | **Completed √** |
| **16** | Transfer the total sales and income from Box 5 on page 1.<br>Enter this figure in Box 16 of the return. | |
| **17** | If you file your returns monthly, take the total sales and income figure from Box 5 of your previous month's return.<br>Enter this figure in Box 17 of the return. | |
| **19** | If you file GST returns for more than one branch or division of your business, get the total sales and income from Box 5 of their returns. Remember to include amounts from the previous month's returns if they file one monthly.<br>Enter this total figure in Box 19 of the return. | |
| **21** | If you've sold an asset during the taxable period, (or the last two months if you file monthly) this will reduce the amount of your total GST supplies for calculating your provisional tax. You can make this adjustment if:<br>• the asset was not revenue account property<br>• the value of the asset is greater than<br>- an amount equal to 5% of the total taxable supplies in the last 12 months, or<br>- $1,000.<br>Enter this figure in Box 21 of the return. | |
| **22** | Use the ratio percentage on the notice you received from us.<br>Enter this amount in the box to the left of Box 23 of the return if it's not already printed there. | |

| Work out your provisional tax calculation | | |
|---|---|---|
| **Box** | **Action** | **Completed √** |
| **24** | Check your income tax statement or notice of assessment to see if you're due to make a provisional tax instalment.<br>If an instalment is not due, do you want to make a voluntary provisional tax payment?<br>Enter either your compulsory instalment or voluntary payment figure in Box 24 of the return. | |
| **25** | If a refund shows at Box 15, do you want to use it to pay your provisional tax?<br>Enter the amount you want to transfer to provisional tax in Box 25 of the return. | |
| **26** | Does Box 15 show GST to pay?<br>Enter this figure in Box 27 of the return. | |
| **27** | Add the amount in Box 26 to Box 27 to get the total amount of GST and provisional tax to pay.<br>Enter this figure in Box 28 of the return. | |
| | **Read and sign the declaration.** | |

### Example: Page 2 GST103B

**Part 2 – Provisional tax calculation when using the ratio option**

Complete Boxes 16 to 23 **only** if this is a compulsory payment period, otherwise go to Box 24

| | Box | |
|---|---|---|
| Enter **total sales and income** from Box 5 on page 1 | 16 | $ |
| Do you file GST returns monthly? If so enter **total sales and income** (Box 5) from your previous month's return, otherwise enter zero (0) | 17 | $ |
| Add Box 16 and Box 17 | 18 | $ |
| Do you file GST returns for more than one branch or division? If so enter **total sales and income** (from Box 5) from all other branches/divisions, otherwise enter zero (0). (Remember to include amounts from the previous month if the other branches file one-monthly) | 19 | $ |
| Add Box 18 and Box 19 | 20 | $ |
| If you've sold an asset in the last two months, you can make an **adjustment for the asset's worth**, if it's over $1,000, or it's over 5% of your total taxable supplies in the last 12 months, whichever is greater. Enter the amount here, otherwise enter zero (0) | 21 | $ |
| Subtract Box 21 from Box 20 | 22 | $ |
| Multiply the amount in Box 22 by your **ratio percentage**. This is your **provisional tax instalment** due | 23 | $ |

Enter your ratio % (from your notification letter)

**Part 3 – Payment calculation**

| | Box | |
|---|---|---|
| **Provisional tax instalment due** (copy the amount from Box 23) | 24 | $ |
| If Box 15 from page 1 is a **refund**, enter the amount you would like to transfer to provisional tax, otherwise enter zero (0) | 25 | $ |
| Subtract Box 25 from Box 24. If Box 25 is larger than Box 24, enter zero (0) | 26 | $ |
| If Box 15 from page 1 is **GST to pay** enter amount here, otherwise enter zero (0) | 27 | $ |
| Add Box 26 and Box 27<br>**This is your GST and/or provisional tax to pay** | 28 | $ |

*OFFICE USE ONLY*

Correspondence indicator

**Declaration**

*The information in this return is true and correct and represents my assessment as required under the Tax Administration Act 1994.*

Signature

/ /

Date

Inland Revenue
Te Tari Taake

## Payment slip

GST 970

Registration number

Period end date

Day Month Year

Due date

Day Month Year

**Amount of payment** $

GST

Register for myIR account to file your returns and payments online

Copy your total from Box 28 and enter it here. Include any late payment penalties for this period only.

## Supply correction information

Supply correction information (such as debit and credit notes) must be provided when the taxable supply information included an incorrect amount of GST, or when the seller has included an incorrect amount in their GST return.

It does not matter whether the buyer has already paid for the goods or services.

Examples of when corrections may be required:

- the supply is cancelled,
- all or some of the goods are returned to the seller,
- some of the goods were not delivered to the buyer,
- there is an incorrect description of the goods or services,
- incorrect seller information included,
- incorrect buyer details included,
- the date is incorrect,
- GST is calculated at the wrong rate, or
- an incorrect GST amount is charged.

You can include supply correction information for a previous supply in the same document as taxable supply information, for a new supply.

The seller must include the supply correction information in the GST return for the period it was provided in.

## Details supply correction information must include

Supply correction information must include all the following details:

- the seller's name (or trade name) and GST number
- the date the correction was provided
- details identifying the taxable supply information
- the correction to the taxable supply information including, if relevant, a correction to the amount of tax charged for the supply.

Sufficient information must be provided for both parties to identify the taxable supply information being corrected. An example might be an invoice number or other details.

Both buyer and seller must keep supply correction information for their records.

## Supply correction information for price changes

Sometimes the price of goods or services will change after an invoice has been provided or a payment made.

## Reduction of the agreed price

If you supply goods and services and reduce the price of the supply after providing taxable supply information or receiving payment, you must include the amount of the reduction in the return period it was made in. This is usually the return when the supply correction information was provided.

If you have already provided taxable supply information, you must also provide supply correction information.

If you're the buyer, you must include the reduction shown on the supply correction information in the return period covering the time of reduction. This is usually the period the supply correction information was received.

## Increase of the agreed price

If you supply goods or services and increase the price of the supply after providing taxable supply information or receiving payment, you must include the amount of the increase in the return for the period it was made. This is usually the return for the period you provided the supply correction information.

If you have already provided taxable supply information, you must also provide supply correction information for any increase in price.

The buyer, must include the supply correction information in the return covering the time the increase was made. This is usually the return for the period the supply correction information was received.

### *Examples*

**Kevin's cleaning goods**

In July, Kevin sells cleaning goods to Maria for $1,000. Maria pays Kevin $900 as some goods were damaged.

In his next GST return period, Kevin issues supply correction information for $100. Both Maria and Kevin use the invoice basis.

Kevin includes $1,000 in his total sales in the return he sold the goods. Kevin then claims $100 in his purchases and expenses in his return covering when the reduction was made.

Maria claims $1,000 in purchases in the return she received the goods and later includes $100 in the total sales in the return covering the time when the reduction for damage was made.

If the taxable supply information and supply correction information were issued in the same return period, Kevin could have shown the net amount of $900 in his total sales instead. Maria could claim the net purchase of $900.

This example of how adjustments are made also applies to an increase in price.

### GST adjustments calculation sheet - IR372

If you're filing a paper return the IR372 helps you calculate your GST adjustments. It lists the items which you need to make an adjustment for. Use the sheet to record the adjustments you need to make, then:

- transfer the figures to your GST return
- attach the sheet to your copy of the GST return
- keep full details on how you calculated the items.

## Filing your GST return

**Key points**

- File your GST return in myIR at **ird.govt.nz** or through your accounting software.
- You're personally responsible for the accuracy of the information on your GST return.
- If you're having difficulty completing your GST return you should contact your tax agent/accountant.
- If you're filing in myIR you can pay by direct debit when you file your return. Or you can pay through internet banking, by credit or debit card on our website.
- Nil returns still need to be filed by the due date.

If you're using a blank form, you'll need to add your personal details.

So make sure all the details on your GST return are correct, including your name and address.

- **Electronic filing** - you can do this in myIR or through your accounting software.
- **Paper return filing** - complete the GST return we send you and post it back to us by the due date.

Pay your GST by internet banking, credit/debit card.

### Payment arrangements

Having trouble paying your tax debt? Still file your GST return, you can apply for an instalment arrangement with us. Repaying an agreed amount over time can be a good way to keep costs down.

**I'm struggling to file and pay my tax**

### Questions about filing

**If I have a nil GST return do I still have to file?**

Yes - there are no exceptions. You must always file your GST return by the due date.

**If I cannot pay my GST amount what should I do?**

File your GST return, then you can set up a payment arrangement.

**Can I get an extension to the GST return due date?**

You cannot get an extension of time to file a GST return. If you're unable to file by the due date, you can delegate your tax agent or an employee to file for you.

**What are the most common items businesses can claim GST on?**

- power - electricity, gas
- telecommunications - mobile phones, telephone, internet service
- motor vehicle expenses - petrol, repairs, warrant of fitness, registration
- stationery, office supplies
- repairs to business assets
- consumables, packaging
- capital, fixed assets - cars, trucks, equipment
- rent of business premises.

**What are the most common items businesses cannot claim GST on?**

- salary and wages
- interest on a loan
- bank fees
- drawings taken from the till or stock taken from the shelf for personal use.

**What are some common mistakes?**

- poor record keeping
- calculation errors
- not filing nil returns
- incorrect adjustments
- incorrect claiming of personal adjustments
- not informing us if your business ceases.

## If you do not file your return, or file it late

**Key points**

- Late returns may get a late filing penalty.
- You may have to pay a default assessment if you do not file your return.

### Late filing penalties

If you do not file your return by the due date you may have to pay a late filing penalty. These are:

- $50 for each return filed on the payments basis
- $250 for each return filed on the invoice or hybrid basis.

Late payment penalties and interest are charged on late filing penalties not paid by the due date.

### Default assessments

If you do not send us a return, we estimate the amount of tax we think you should pay - a default assessment. In most cases, this amount will be higher than what you actually owe.

You still have to file the overdue return, even if you pay the default assessment.

When we get your completed return, we'll calculate the actual amount you need to pay, plus any penalties and interest.

> ▶ If you make a combined payment for GST and provisional tax but do not file your return, we'll use it to pay any GST default assessment and late filing penalty first.

## If you do not make your payment, or pay late

**Key points**

- Late payments may be charged late payment penalties and interest.

### Late payment

If you do not pay a bill on time, you may have to pay penalties and interest.

Contact us if you are not able to pay on time. We'll look at your payment options, which may include an instalment arrangement.

Find out more at **ird.govt.nz/penalties**

## Correcting an error in your GST return

If you realise you've made an error or errors in a GST return you've filed that results in an under or overstatement of your tax liability, you may be able to correct it in:

- a later taxable period and calculate the adjustment, or
- the same taxable period by amending your return in myIR.

But, if you've chosen a particular tax position and then change your mind about it, you cannot correct it. Instead, you must use our disputes process. This means completing a **Notice of proposed adjustment - IR770**. You must send this to us no later than 4 months after the due date of the GST return it relates to.

For more information **How the taxpayer-initiated disputes process works**

### Making the correction in a later taxable period

#### Option 1

The error or errors can be corrected in the taxable period following the discovery of the error, when:

- you provided the return which contains one or more errors in the assessment of their liability for GST, and
- the total discrepancy in the assessment caused by the error is $1,000 or less.

#### Option 2

You can correct a mistake in the taxable period following the discovery of the error, provided the purpose is not to delay the payment of tax, and the total discrepancy is equal to or less than the lower of:

- $10,000, and
- 2% of the GST collected.

#### Option 3

You can include an unclaimed GST input tax deduction in a later return if it is within 2 years of when the claim was left out, or the error relates to:

- an inability of the registered person to get an invoice
- a dispute over the proper payment amount for the taxable supply to which the deduction relates
- a mistaken understanding on the part of the registered person, the supply the deduction relates to was not a taxable supply
- a clear mistake or simple oversight of the registered person.

### Record keeping

You must keep these details in your GST records and make the information available to us if we ask for it:

- what GST return period the error occurred in
- the GST amount involved
- the type of error
- which GST return period you made the correction in.

### Interest

If the reassessed GST is an amount to pay and it's over $100 we'll charge you use-of-money interest.

If the amount of reassessed GST is a refund over $100, we'll pay you use-of-money interest.

### Penalties

We may ask for more information to decide whether we'll charge a shortfall penalty.

# Part 3 - Cancelling your GST registration

If your taxable activity is stopping or slowing down, you can cancel your GST registration.

If you stop your taxable activity, you must cancel your registration. Cancelling your GST registration will not close your business or organisation.

You can cancel your GST registration if:

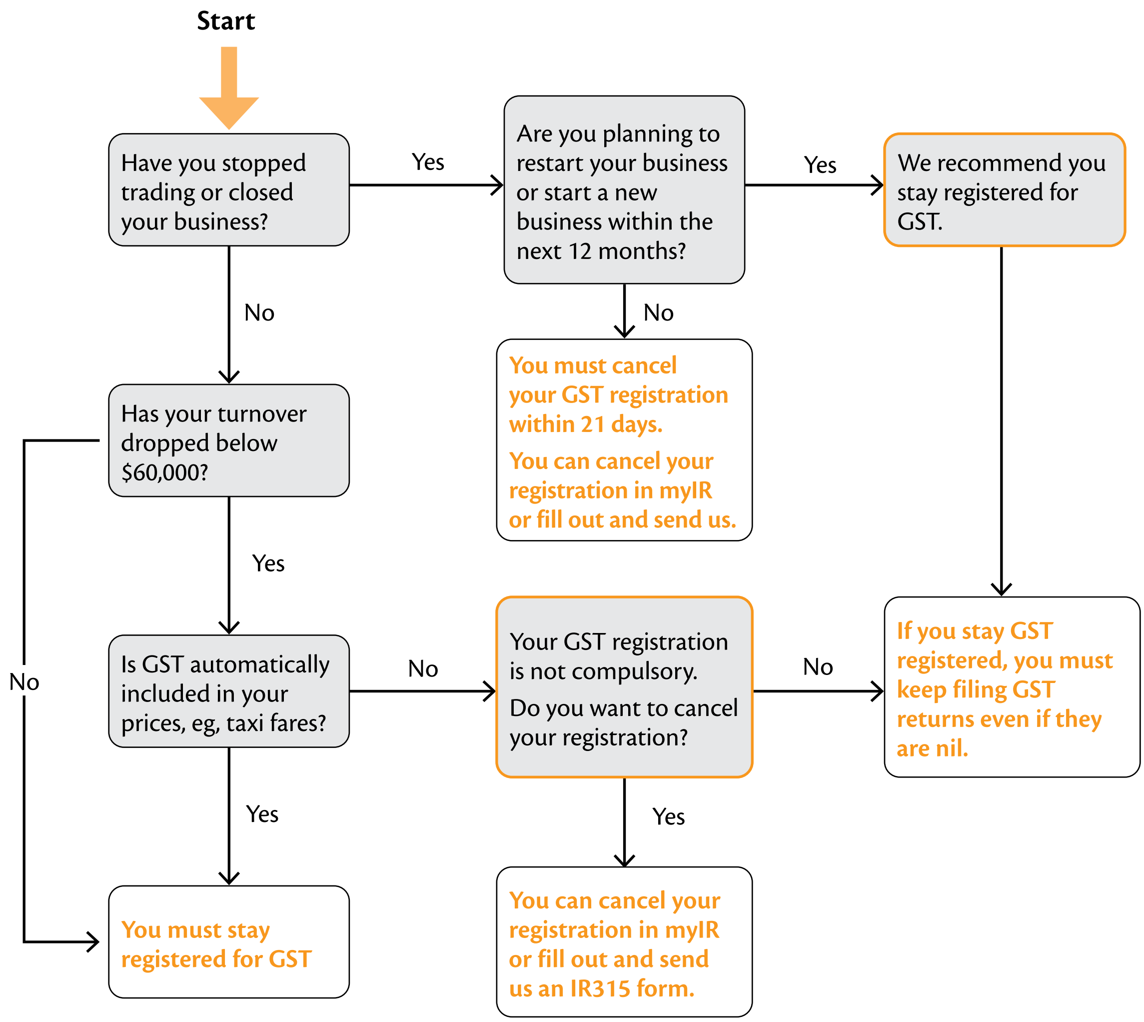
- you're closing down or selling your business
- you expect your turnover to drop below $60,000 - and stay there for a while
- you realise you are not required to be registered.

If you're going to continue your taxable activity you may still choose to cancel your registration. If you do decide to cancel, you can no longer:

- charge GST on your sales
- claim GST on your expenses.

If you're considering cancelling your GST registration, you'll need to know the situations where you must cancel or have a choice in cancelling. Use our handy online tool to help you decide what's best for your situation - **Should I cancel my GST registration**

## Should I cancel my GST registration?



## When you cannot cancel

If GST cannot be excluded from your prices, you cannot cancel your GST registration, even when your annual turnover is under $60,000.

## When you must cancel

You must cancel your GST registration within 21 days if you stop your taxable activity and do not intend to start a new one within 12 months.

## What you need to do if you decide to cancel

If you're closing down or selling your business, you must cancel your GST registration within 21 days of doing this.

If you're cancelling voluntarily, you can let us know once you've decided to do this.

You can cancel your registration in myIR > GST > More… > Manage account > Cancel account registration.

Or you can fill out a **Business Cessation - IR315 form** and send it to us.

We'll contact you if we need more information. Otherwise, we'll send you confirmation your registration has been cancelled within 5 working days.

## Filing your final return

You will need to file your final GST return up to your date of cancellation (this may not be the end of your normal taxable period).

The date you need to do this by depends on your filing frequency. Your final return needs to cover your taxable activity between the first date of your taxable period up until your registration cancellation date.

For example, if you file 2-monthly and you cancel your GST on 15 October, your final return needs to cover the period from 1 September to 15 October and needs to be filed by 28 November.

You will need to account for GST on any business assets you keep. For more information about your obligations go to **ird.govt.nz/gst**

You may need to complete the 'debit adjustments' or 'credit adjustment' sections if:

- you are keeping any assets the business owns
- the business owes money to a creditor
- any debtors owe you money.

Use the open (current) market value of assets you are keeping.

For assets bought before 1 October 1986, the value will be the lesser of the cost price and the open market value.

For assets bought on or after 1 October 1986, work out the GST on the asset using this formula:

$$(\text{open market value} \times 3) \div 23$$

The open market value is the value of the asset as if you sold it today.

You need to return the GST of the value of the asset in your final GST return, regardless of the accounting basis you use.

## When you're part of a GST group

There are different criteria and processes to cancel a GST group registration. For more information go to **Cancelling a GST group**

## Businesses with separate branches or divisions

If you are the parent body of a business with separately registered branches or divisions you can cancel any of those registrations at any time. You will need to take over the GST responsibilities of any of the branches or divisions which are no longer separately registered for GST.

If a parent body cancels its own GST registration, all the separate registrations of its branches or divisions are automatically cancelled.

***Note***

If you're liable to pay provisional tax the due dates will change if you were registered on a six-monthly basis or you use the GST ratio method to calculate your provisional tax. For more information see our **Provisional tax guide - IR289**.

# Part 4 - Adjustments

**Key points**

- Electing to treat goods as non-taxable supplies - you can elect to treat some goods such as land, dwellings and vehicles, as non-taxable supplies when their principal purpose is not for use in your taxable activity.
- When you acquire a good or service you may need to apportion GST between your business (taxable activity), and your private or exempt use. You can claim a percentage portion of the GST for the taxable use only.
- You may need to make change in use adjustments for the goods or services more than $10,000 (exclusive of GST), if the percentage of business to private or exempt use changes.
- Change in use adjustments are not required if:
  - the GST exclusive cost is $10,000 or less
  - the change in taxable use is less than 10% and the value of the adjustment is $1,000 or less.
- Change in use adjustments are made annually and the number of adjustment periods depends on the value and if the goods are land.
- Special wash-up rules need to be applied if you later sell a good or service where you've previously apportioned the GST, or you cancel your GST registration (deregister).
- Special rules apply to the concurrent use of land for taxable and non-taxable purposes.

More detailed information and examples are contained in this adjustment section.

Many small businesses get help from their accountant/tax agent with apportioning and making GST adjustments.

## Electing to treat goods as non-taxable supplies

You can choose to treat some goods as non-taxable supplies. This only applies to goods such as land, dwellings and vehicles when the principal purpose for acquiring and use of the good is not for making taxable supplies.

If you choose to treat a good as a non-taxable supply, you do not have to add GST to any future sale of the good.

To qualify, the following criteria must be met:

- you have not previously claimed a GST deduction for the goods
- the goods were not acquired or used for the principal purpose of making taxable supplies
- the goods were not acquired as zero-rated supplies (see below for the exception).

Once applied, you do not need to monitor the use of the good at the end of each GST adjustment period.

***Example***

Rebecca has a small farming business. Her farmhouse is used to help run her GST business, but the principal purpose is for her private residence.

When Rebecca bought the farmhouse, the seller was not registered for GST, so the purchase was not zero-rated. Rebecca chose not to claim any GST on the purchase, and any capital improvements she makes relating to the farmhouse.

Rebecca can elect to treat a future sale of the farmhouse as a non-taxable supply for GST purposes. This means if the use does not change, Rebecca will not have to charge GST on a future sale or disposal of the farmhouse. The land used for farming would still be subject to GST.

Rebecca can still claim part of her operating costs costs such as rates, insurance, and utilities, based on the percentage of the farmhouse used for making taxable supplies.

### Output adjustment for zero-rated supplies

There might be situations where you acquire zero-rated goods, but the principal purpose of the goods is not for making taxable supplies.

To treat the goods as non-taxable, you can make a debit adjustment for the GST you would have been charged, if the goods were not zero-rated (nominal GST amount).

***Example***

Gavin is GST-registered. He buys a holiday home for $1 million from another GST-registered person. The sale was zero-rated for GST purposes. The principal purpose for buying the house is for a family holiday home. However, Gavin also intends to rent out the property for short term accommodation.

Gavin can choose to make the future disposal (sale) of this property a non-taxable supply, by returning output tax of $150,000 in his next GST return (the nominal GST amount that would have been charged, had the purchase not been zero-rated).

If the property use does not change, Gavin will not have to charge GST on a future sale or disposal of the holiday home.

### Transitional rule for goods acquired before 1 April 2023

You may want to apply a transitional rule to goods acquired before 1 April 2023, if the principal purpose for acquiring the good was not for use in making taxable supplies.

The transitional rule allows you to make a debit adjustment for the percentage of GST already claimed. This means any future disposal or sale of those goods can be treated as a non-taxable supply.

If you choose to use the transitional rule, you need to:

- return any GST you have previously claimed by making a debit adjustment in your GST return
- notify Inland Revenue by sending a message in myIR, before 1 April 2025.

When the transitional rule is applied, future disposal of those goods can be treated as a non-taxable supply.

Once applied, future adjustments may only be required if the use of the goods changes to principally making taxable supplies.

***Example***

Mary is registered for GST. She bought a lifestyle block next to her beef farm in March 2022, for $1.15 million dollars from a non-GST registered seller. Mary's principal purpose for buying the property was for long-term residential rental.

The property included some land which Mary uses in her beef farming business. Only 25% of the total property value relates to her farming activity. Mary claimed GST of $37,500 in her March 2022 GST return.

In September 2023, Mary decides to use the transitional rule for the lifestyle block and sends Inland Revenue notice of the change. Mary also makes a debit adjustment of $37,500 in her September 2023 GST return to pay back the percentage of GST she claimed in March 2022.

If the property use does not change, Mary will not have to charge GST on a future sale or disposal of this property.

## Apportioning GST for business, private or exempt use

You acquire a good or service when you either purchase it or introduce it into your business (taxable activity).

When you acquire a good or service used in your business, and used privately, or to make exempt supplies, you may need to apportion the GST amount you can claim.

This is based on the percentage estimate it will be used in your business, and the value of the good or service.

**Examples of goods commonly used in a business and privately, include:**

- your home when you have a home office
- vehicles
- cell phones
- laptops.

**Example of a taxable and exempt supply**

A retirement village providing independent style accommodation and rest home/hospital style units must apportion costs relating to the rest home/hospital activity (taxable) and the independent unit activity (exempt). GST can only be claimed on the taxable portion.

### Home office expense

If you are using your home as part of your business, GST can be claimed on the portion of the running costs relating to your taxable activity.

You must keep full records of all expenses, and how you've apportioned your business and private use.

Your apportionment must take into account:

- time spent on income-earning activities
- the percentage area used in your taxable activity (either exclusively or mixed business and private use).

You cannot claim GST on any private or domestic expenses.

Please note any claims for the purchase of the property itself or any capital improvements made to your home may make a future sale of the property subject to GST on the full sale amount. You can elect to treat principally private assets as non-taxable. Read our section on Electing to treat goods as non-taxable supplies on page 23 for more information.

## Goods and services $10,000 or less

When you acquire a good or services for $10,000 or less (excluding GST), you can choose to use the principal purpose method or the apportionment method for claiming GST.

### 1. Principal purpose method

You need to determine whether the principal purpose is for making taxable supplies. This test determines if the GST on the good or service is claimable or not claimable.

**When the principal purpose is for making taxable supplies:**

- you can claim the full amount of GST
- you do not need to make a GST adjustment if the principal purpose changes later.

*Example*

Phil is a GST registered contractor. He buys a laptop for $3,000 plus GST of $450, to use in his business for the principal purpose of making taxable supplies. Phil will also use it occasionally for private use.

Phil can claim the full amount of GST charged ($450) as an expense in his next GST return because the principal purpose of the laptop is for business use.

**When the principal purpose is not for making taxable supplies:**

- you cannot claim the GST
- you cannot later make any GST adjustments if the principal purpose of the good or service changes.

### 2. Apportionment method - $10,000 or less

You can choose to claim the business percentage of goods and services, using the apportionment method (regardless of the principal purpose for acquiring the good or service). Change in use adjustments in future periods are not required for goods and services $10,000 or less.

If you choose the apportionment method, you'll need to use this for all goods and services acquired for $10,000 or less for a minimum of 24 months. You cannot change to using the principal purpose method for future purchases during this time.

*Example*

Amy has a GST registered business. She buys a car for $9,000 plus GST of $1,350, principally for private use but will sometimes use it in her business. Amy estimates her business use at 20%.

If Amy chooses to use the principal purpose method, she cannot claim any GST as the GST exclusive price is $10,000 or less and the principal purpose of the car is not to make taxable supplies.

Using the apportionment method, Amy can claim 20% of the GST in her next return. Amy needs to apply the apportionment method to all goods and services for a minimum of 24 months.

## Goods and services over $10,000

When goods or services over $10,000 (GST exclusive) are acquired for business and private use, or to make exempt supplies, you must apportion the amount of GST you can claim based on your business use. You cannot use the principal purpose method for goods and services over $10,000.

You will need to work out your business use based on how the good or service will be used, or is available to use, then calculate a percentage estimate of the GST amount you can claim in your next return.

You can choose how you work out the percentage of business use, as long as it gives a fair and reasonable result. This can be based on past records, experience, business plans or another suitable method. For example, if the asset is a car replacing an existing car used in the business, the logbook for the previous car could be a reasonable method of working out the intended use of the replacement car, provided the patterns of use will be relatively unchanged.

After the initial GST claim for goods and services over $10,000:

- You must review the business use each year for any change affecting the apportionment between business, private or exempt use. The number of adjustment periods depends on the GST exclusive value and if it is land.
- You may need to make a change-in-use adjustment for the GST claimed if the actual use is different from the intended taxable use of the asset.
- Adjustments can only be made annually, in the GST return aligning with your balance date.

More information about the number of adjustment periods is on page 26.

## When adjustments are not required

You do not need to make an adjustment if the GST exclusive cost of the good or service is $10,000 or less.

For goods and services over $10,000 you do not need to make an adjustment if:

- the change in taxable use is less than 10% and the value of the adjustment is $1,000 or less
- you make taxable and exempt supplies, and the total value of exempt supplies in the adjustment period is less than both:
  - $90,000, and
  - 5% of total consideration for all taxable and exempt supplies.

*Example*

A dairy spends $16,000 (exclusive of GST) on renovations. A major part of the dairy's business involves making taxable supplies. However, the dairy also runs a debtors' account and charges interest on any late payments (exempt supplies).

Since the total value of the interest charged (exempt supplies) in the first adjustment period is expected to be less than both $90,000 and 5% of the total consideration for all taxable and exempt supplies made, the dairy is not required to apportion the input tax in relation to the renovations.

## Annual review and adjustments for change in use

You must keep track of goods and services used in your business and for private or exempt supplies. Adjustments may be required when there is a change from your original estimate and the GST amount claimed.

Change in use adjustments are accounted for annually, in your GST return aligning to your balance date. A method applied to determine taxable 'use' must be fair and reasonable.

*Examples*

- 31 March balance date and a 2-monthly GST filing, the adjustment is included in February/March GST return aligning with the balance date.
- 30 June balance date and a 6-monthly GST filing, the adjustment is included in the January/June GST return aligning with the balance date.

## Choosing your adjustment period

You can choose your first adjustment period to be from the date you acquire the good or service, until the end of either:

- the income year of acquisition (balance date)
- the income year (balance date) at least 12 months after the date of acquisition.

Each adjustment period after this is the same as your income year. You cannot make change in use adjustments in other GST periods.

## Number of adjustment review periods

The number of adjustment periods depends on the GST exclusive cost of the good or service:

| GST exclusive cost | Adjustment periods |
|---|---|
| $10,000 or less | Not required |
| $10,001 - $20,000 | 2 |
| $20,001 - $500,000 | 5 |
| Over $500,000 or land (of any value) | 10 |

You may also choose the maximum number of adjustments based on the estimated useful life of the asset. For more information go to **ird.govt.nz/rate-finder**

*Example - Ben*

Ben operates a business and files 6-monthly GST returns in September and March. Ben has a 31 March balance date. In May he buys a car to use in his business for $28,750 including GST of $3,750. Ben estimates the car will be used 80% for business use and claims $3,000 GST in his September GST return.

$3,750 × 80% = $3,000

Because the GST exclusive cost is $25,000, Ben needs to keep track of his business and private use for 5 adjustment periods.

**Adjustment period 1**

At the end of the income year, Ben's actual business use of the car is 100%. Ben makes a change in use adjustment to claim the remaining 20% of the GST ($750) in his October - March GST return (as this is the period aligning to his balance date).

Ben needs to keep track of his car's business use for 4 more adjustment periods as the GST exclusive cost is between $20,001 and $500,000.

## Change in use adjustments less than 10% and $1,000 or less in value

You cannot make a change in use adjustment if the percentage of actual taxable use is less than a 10 % change from either the original intended use, or previous actual taxable use if you've already made an adjustment, and the adjustment amount is $1,000 or less.

*Example – less than 10% and $1,000 or less (Ben)*

Ben's been keeping track of his business and private use for the car he bought the previous year for any more change in use. He's already made one adjustment at the end of the income year he bought the car.

During adjustment period 2, Ben's wife Carly uses his business car for 19 days while her car is being repaired. At the end of the adjustment period, Ben's worked out the difference for private use was less than 10% and $1,000 or less. He does not need to make an adjustment in period 2 but he still needs to check for changes in business use for 3 more adjustment periods.

*Example - Miriama*

Miriama bought a car for $34,500 including GST of $4,500 12 months ago to use in her taxable activity. She estimated her business use at 50% and claimed half of the GST ($2,250).

At the end of her first adjustment period, she has used the car 59% of the time in her business activity (9% more than she estimated). Because the difference is less than 10% and the change in GST value is $1,000 or less, ($450) Miriama cannot make any adjustment this period. If her business use of the car increases in a future adjustment period by 10% or more from her original estimate or the value is over $1,000, she can make an adjustment for the difference.

## Calculating actual use

Actual use is always measured from original acquisition of the good or service. You must compare the percentage actual use of goods and services with:

- the percentage intended taxable use of the goods and services (if no previous adjustment has been made), or
- the previous actual taxable use (if you have made a previous adjustment for the goods and services).

***Example***

- Identifying percentage actual use and percentage intended/ previous use

Peter has a 31 March balance date and files 2-monthly GST returns. Peter acquires a luxury boat on 1 October for $575,000 including GST of $75,000. He intends to use the boat 100% in his charter business and claims the full input tax deduction of $75,000 GST in his October/November GST return.

Based on the GST exclusive value of the boat ($500,000), Peter monitors his business use for 5 adjustment periods.

Peter's actual taxable use of the boat during each adjustment period is:

- Adjustment period 1 - 100%
- Adjustment period 2 - 80%
- Adjustment period 3 - 83%
- Adjustment period 4 - 50%
- Adjustment period 5 - 90%

Adjustment period 1 is the income year ending 31 March, 6 months after Peter bought the boat.

All other adjustment periods are 12 months. Peter makes the required adjustments in his February/March GST return at the end of each adjustment period.

The following calculations work out the actual taxable use over the 5-year period, compared to Peter's original estimate of intended taxable use, and adjust the GST originally claimed on acquisition for any non-taxable use.

| Adjustment period | Intended use/Previous actual use % | Percentage use in this adjustment period % | Total months since acquisition | Calculation details % | | Percentage actual use since acquisition % | Change from previous adjustment period +/- % | GST adjustment ($75,000 x % difference Pay back/claim) |
|---|---|---|---|---|---|---|---|---|
| Acquisition | 100 | | | | | | | ($75,000) |
| 1 | 100 | 100 | 6 | 100 x 6/6 | 100 | 100 | 0 | $0.00 |
| 2 | 100 | 80 | 18 | 100 x 6/18<br>80 x 12/18 | 33.3<br>53.3 | 86.6 | -13.4 | $10,050 |
| 3 | 86.6 | 83 | 30 | 100 x 6/30<br>80 x 12/30<br>83 x 12/30 | 20.0<br>32.0<br>33.2 | 85.2 | -1.4 | $1,050 |
| 4 | 85.2 | 50 | 42 | 100 x 6/42<br>80 x 12/42<br>83 x 12/42<br>50 x 12/42 | 14.3<br>22.9<br>23.7<br>14.3 | 75.2 | -10.0 | $7,500 |
| 5 | 75.2 | 90 | 54 | 100 x 6/54<br>80 x 12/54<br>83 x 12/54<br>50 x 12/54<br>90 x 12/54 | 11.1<br>17.8<br>18.4<br>11.1<br>20.0 | 78.4 | +3.2 | ($2,400) |
| **Overall result** | **78.4** | When Peter acquired the boat, he estimated it would be used 100% for making taxable supplies. Over the 5 adjustment periods the boat's actual use in making taxable supplies was 78.4% ($75,000 x 78.4% = $58,800). Peter accounted for the changes in actual use at the end of each adjustment period. The total of annual adjustments is $16,200 (the difference between $75,000 and $58,800). | | | | | | Total GST adjustment $16,200 |

***Adjustment period 1*** *(6 months from acquisition to the end of the income year)*

Peter does not need to make an adjustment for this period as his actual business use did not change.

***Adjustment period 2***

Peter must make a debit adjustment for his non business use for the difference in GST he claimed when he bought the boat. This is calculated as 13.4% of $75,000. He includes $10,050 as a debit adjustment in his GST return at the end of adjustment period 2.

***Adjustment period 3***

The difference in use from adjustment period 2 and 3 is a decrease in overall business use of 1.4%. The percentage is less than 10% but the value is $1,050, so Peter makes another debit adjustment for $1,050 in his GST return at the end of adjustment period 3.

***Adjustment period 4***

The difference in business use from adjustment period 3 and 4 is a decrease in business use of 10%. Peter makes another debit adjustment for $7,500 in his GST return at the end of adjustment period 4.

***Adjustment period 5***

The difference in business use from adjustment period 4 is an increase in business use of 20%. This time Peter makes a credit adjustment in his GST return for $2,400 at the end of adjustment period 5.

After adjustment period 5 Peter no longer needs to make any further adjustments. If he sells the boat later, he will need to account for GST on the sale.

## Wash-up rule

A wash-up adjustment is used when the business, exempt or private use of good or service changes and you do not expect it to change again. Work out the adjustment using this calculation:

(full GST amount x new percentage) – actual deduction = wash-up adjustment

- The full GST amount of the good or service. For a zero-rated land transaction, this would be 15% of the purchase price.
- New percentage is the percentage of intended taxable use.
- Actual deduction is the GST previously claimed, including adjustments.

If you make a wash-up adjustment and there is no change to the new percentage, you'll no longer have to make annual adjustments. The wash-up adjustment is made in the adjustment period (aligned to your balance date) after the permanent change in use is made.

If your good or service changes in use later, you'll need to make another adjustment. This adjustment needs to be made when the use changes and remains unchanged for a full adjustment period, even if the change is within the 10% or $1,000 threshold.

***Example – permanent change in use***

Tōtara Ltd is registered for GST. The company acquires an apartment building for $23m from an unregistered person. Tōtara uses 80% of the building to make exempt supplies of rental accommodation and leases the remaining 20% to Rimu Ltd who are also registered for GST. Rimu uses these apartments to supply commercial hotel accommodation units and serviced apartments. The 20% portion is a taxable supply. Tōtara claims a $600,000 deduction in the GST return period they acquire the building (3/23 x $23m = $3m potential secondhand goods input tax claim on total building, $600,000 is 20% of $3m).

After 24 months, Tōtara negotiates a long-term commercial lease with Rimu to supply 50% of the building for Rimu's commercial accommodation business. The long-term lease is a permanent change from 20% to 50%.

Tōtara makes an adjustment to claim $900,000 being the difference in taxable use of 30% (additional 30% of the $3m input tax) at the end of their next adjustment period.

## Final adjustment on disposal of an asset used in a taxable activity

You need to make a final adjustment when you dispose of the asset, to allow for any GST which has not been claimed.

Use the following calculation to work out the final adjustment:

Tax fraction x Consideration x (1 – Previous use)

- Where the tax fraction is 15% of the GST exclusive amount or 3/23rds of the GST inclusive amount.
- The consideration is the amount received, or treated as received, for the supply.
- Previous use is the percentage intended taxable use (if sold in the first adjustment period) or the previous actual taxable use at the end of the last adjustment period before disposal.

***Example***

Melissa buys a car for $46,000 (inclusive of $6,000 GST). She claims 70% input tax of $4,200.

The car is later sold for $34,500 (GST inclusive). The sale of the car is in the course of her taxable activity, so the full sale amount is subject to GST. Melissa returns $4,500 as output tax (sales). Melissa's final use of the car on sale is 100% taxable.

As Melissa had not claimed for full business use of the car, she makes a final adjustment, calculated as follows:

Melissa works out the tax fraction of $34,500 (3/23) as $4,500 and multiplies this by her private use (30% or 0.3). Melissa can claim an additional adjustment for $1,350.

3/23 x $34,500 x (1 – 0.7) = $1,350.

Melissa includes the full $34,500 as sales and income in her GST return, and in her purchases and expenses, she includes a credit adjustment for $1,350.

**Example – Peter**

Peter sells his boat on 30 September, 6 years after acquisition for $460,000 including $60,000 GST. The sale of the boat is in the course of his taxable activity, so the full sale amount is subject to GST. Peter's final use of the boat on sale is 100% taxable.

Because the boat had some non-taxable use, Peter makes a final adjustment on disposal.

In our earlier example for Peter, his last recorded taxable use adjustment was 78.4%. Peter makes a final adjustment on disposal as follows:

3/23 × $460,000 × (1 – 0.784) = $12,960

Peter includes both the output tax of $60,000 and credit adjustment of $12,960 in his August/September GST return.

## Maximum adjustment for property developers

If you're a property developer, your final adjustment cannot exceed the tax fraction of the purchase price when you first acquired the asset.

***Example: Property developer***

Emily, a property developer bought an apartment to renovate and rent. The input tax on the cost of the property plus renovations was $60,000. Emily claimed 64.8% of the total input tax - $38,880 because the property had a mix of taxable and exempt use.

Emily sold the apartment for $640,000.

As Emily has not claimed the full input tax for the purchase and renovation cost she makes a final adjustment of the input tax:

3/23 × $640,000 × (1 – 0.648) = $29,384

When Emily adds $29,384 to the deduction already claimed ($38,880), this is more than the total amount of the input tax on the supply ($60,000). As Emily is a property developer selling land, her adjustment is limited to $21,120.

## Special rule for concurrent use of land

The portion of a deduction you should be entitled to claim must correspond with the extent to which you use the asset for taxable purposes. In most situations, an asset may only be used for either taxable or non-taxable purposes at one particular time. For example, at any given time a motor vehicle may be used for making deliveries of goods and services or for taking your children to school - but usually not both at the same time.

In some circumstances, however, an asset may be used for taxable and non-taxable purposes at the same time, for example, a property developer may supply a house as a dwelling for a few months while advertising the house for sale. For the duration of the rental period, the asset is not only fully committed to the taxable activity (the sale), but is also simultaneously fully committed to the exempt activity (residential rental income).

The following formula will help you in apportioning between concurrent uses of land:

$$\frac{\text{consideration for taxable supply}}{\text{total consideration for supply}} \times 100\% = \text{(percentage of taxable use)}$$

The 'consideration for taxable supply' is either the amount derived on disposal of the land or, if the land has not been disposed of, the market value of the land at the time of the adjustment.

The 'total consideration for supply' is the sum of the amount of the 'consideration for taxable supply' described above, and:

- the amount of all rental income derived from the supply of a dwelling since the land was acquired, and
- if no rental income is paid or payable in relation to the non-taxable use of land, the market value of rental income that would have been derived from the time of acquisition of the land if rental had been charged.

You may apply for an alternative approach if this formula does not fit your circumstances.

The market value must be used in determining consideration for taxable supply and/or total consideration for supply if amounts derived under those definitions are by associated persons or are not arm's-length amounts.

If the market value of the land or rental income is not readily identifiable, the person may use another method to provide a fair and reasonable estimate of the market value.

***Example***

Sandy, a property developer, built 2 similar residential houses, house A and house B, next to each other. The construction cost of each house is $230,000 (including GST of $30,000). Sandy intends to sell both properties on completion (a taxable use) and claims a full deduction on the GST incurred on construction. Sandy is unable to sell the properties immediately on completion.

So, while still advertising the houses for sale, she:

- rents out house A and receives rental income of $26,000 in the first adjustment period, and
- moves into house B and lives there rent free.

Just after the end of the first adjustment period, Sandy sells house B for $360,000.

***House A - Adjustment at the end of the first adjustment period***

Since Sandy used the house concurrently for taxable purposes (advertising for sale) and exempt purposes (supplying a residential dwelling), she needs to identify the actual taxable use of the property in the first adjustment period.

The consideration for taxable supply is either the amount derived on disposal of the land or, if the land has not been disposed of, the market value of the land at the time of the adjustment. Sandy has not disposed of house A, but ascertains the market value of the house is approximately the same as for house B ($360,000).

The total consideration for supply is the amount of the consideration for taxable supply ($360,000) and the amount of all rental income ($26,000) derived from the supply of the dwelling since the land was acquired ($386,000).

Sandy's taxable use of the house is:

$$\frac{\$360{,}000}{\$386{,}000} \times 100\% = 93\%$$

As Sandy had originally claimed 100% on acquisition, she has therefore claimed 7% more input tax than she should have and has to account for this to us:

$30,000 × 7% = $2,100

***House B - Adjustment at the end of the first adjustment period***

Because Sandy used the house concurrently for taxable purposes (advertising for sale) and private purposes (residential), she has to identify the actual taxable use of the property in the first adjustment period. The consideration for taxable supply is the amount derived, or would be derived, on a disposal of the house ($360,000).

Because Sandy did not rent out house B, but still used it for non-taxable purposes, the total consideration for supply, is the amount of the consideration for taxable supply ($360,000) and the market value of the rental income she would have derived if she had rented out the property.

Sandy estimates she would have received $26,000 of rental income. Her taxable use of the house is:

$$\frac{\$360{,}000}{\$386{,}000} \times 100\% = 93\%$$

Sandy has deducted 7% more input tax than she should have and has to account for this amount to us:

$30,000 × 7% = $2,100

In both cases, Sandy may be able to recover some or all of the unclaimed input tax if she later disposes of the houses in the course of her taxable activity.

An additional formula estimates the extent of taxable use of the land if the land has, at any time, been used solely for making non-taxable supplies.

The formula is:

$$\frac{\text{months}}{\text{total months}} \times \text{result}$$

- 'Months' is defined as the number of months since acquisition in which all or part of the land is used to some extent for making taxable supplies.
- 'Total months' is defined as the total number of months since acquisition.
- 'Result' from calculation to establish the percentage of taxable use.

***Example***

The facts are the same as in the previous example and the length of the first adjustment period was 12 months. In the second adjustment period, Sandy continues both letting out house A and advertising it for sale. However, 6 months after the start of the second adjustment period, Sandy stops advertising house A for sale because she decides to permanently rent it out.

In the second adjustment period, she receives rental income of $30,000. The market value of house A at the time of the adjustment is still $360,000. At the end of the second adjustment period, Sandy identifies the taxable use of the house.

For the purposes of the second adjustment period, the total consideration for the supply is the sum of the market value of the house and all rental income received since the land was acquired:

(360,000 + 26,000 + 30,000 = $416,000).

$$\frac{\$360{,}000}{\$416{,}000} \times 100\% = 86.5\%$$

However, because the house has been used for 6 months solely for making non-taxable supplies, she has to calculate the percentage actual use:

$$\frac{18}{24} \times 86.5\% = 64.8\%$$

Sandy's percentage actual use of house A in the second adjustment period is 64.8%. The percentage actual use must be compared with the 'previous actual use', with the percentage actual use as determined in the most recent period in which an adjustment has been made. For Sandy, the previous actual use will be 93%. So Sandy has deducted 28.2% (93% – 64.8% = 28.2%) more input tax than she should have and has to account for this to us:

$30,000 × 28.2% = $8,460

## Special rule for calculating use of some assets

### Periods from 1 April 2024

The specific mixed-use asset rules are being repealed for periods from 1 April 2024.

The general GST apportionment rules requiring a fair and reasonable apportionment method should be applied.

While no longer compulsory, the mixed-use asset apportionment method can be used or continue to be used as a fair and reasonable method.

You do not need to apply for Commissioner approval to use or continue to use the mixed-use asset method.

For more information on general apportionments and adjustments refer to Part 4 – Adjustments on page 23.

### Periods prior to 1 April 2024

Until 31 March 2024, special rules may apply to purchases of the following assets costing $50,000 or more and related expenses:

- land for example, holiday home
- ships/boats
- aircraft.

If you purchase one of these assets you must use a specified formula to calculate 'use' if the asset is:

- used partly to earn income and partly for private use; and
- not in use for 62 days in the income year (or 62 working days if the asset is typically only used on working days).

The rule does not apply to assets of a company (unless it is a close company). They also do not apply if any private use is minor and subject to FBT and the main business use for the asset is not a rental or charter business.

You can claim a deduction when mixed-use assets are acquired, and when you acquire goods and services that relate to both income-earning and private use of a mixed-use asset (mixed-use expenses), to the extent that they will be used for making taxable supplies.

The estimate of how you intend to use the goods and services should take into account the formula for the adjustment for mixed-use expenses below.

Then, for the first adjustment period and subsequent adjustment periods, an adjustment is required for mixed-use expenses if the actual use of the mixed-use asset is different from the intended use.

The formula used to calculate the adjustment for mixed-use expenses is similar to the calculation used to determine your deduction for income tax, and is based on income-earning days and private use days of the asset.

The formula to calculate the adjustment is:

$$\text{total amount of input tax} \times \frac{\text{income-earning days}}{\text{income-earning days + private days}}$$

### Formula definitions

- 'Input tax' is the total input tax for the mixed-use expenses, including the cost of the asset (excludes input tax relating solely to non-taxable and taxable use)
- 'Income-earning days' is the total number of days when rent or a fee is paid for the use of the asset, regardless of the amount paid. Includes consideration received from family, non-associated persons, and when the asset is being repaired or relocated
- 'Private days' is the total number of days the asset is used with no amount of rent or fee paid.

### Using alternatives to 'days'

You can use other measures in the formula if they reflect the time use of the asset more accurately. For example:

- flying hours for an aircraft
- nights for a holiday home.

***Example***

Regan purchases a charter boat on 1 April 2017 for $450,000 (GST inclusive) which is used both to earn income and for private use. He accounts for GST input tax for the year as follows:

**Fully deductible expenses**

| | |
|---|---|
| Annual Maritime NZ survey fees | $700 |
| Charter advertising | $400 |
| Food/drinks (charter guests only) | $500 |

Regan claims the full input tax and no adjustment is made as the expenses relate solely to income-earning.

**Not deductible**

$250 for family fishing licenses is a private expense, so no GST input tax is claimed.

**Apportioned (mixed-use) expenses**

There are apportioned (mixed-use) expenses that relate to both income-earning and private use, so Regan needs to work out how much GST he can claim.

| | |
|---|---|
| Mooring fees | $2,000 |
| Fuel | $1,200 |
| Insurance | $2,450 |
| General repairs | $300 |
| **Total expenses** | **$5,950** |

When Regan acquired the boat, he estimated that the taxable use would be 50%. He claimed input tax on the mixed-use expenses of $29,735.86 (credit) as follows:

| Expense | Cost | GST value | 50% input tax claimed |
|---|---|---|---|
| Purchase of boat | $450,000 | $58,695.65 | $29,347.82 |
| Mooring fees, insurance, fuel | $5,950 | $776.09 | $388.04 |
| Total input tax | | | $29,735.86 |

**Income-earnings days**

| | |
|---|---|
| Days fully chartered to the public | 102 |
| Days chartered at 50% market rate to Regan's local fishing club | 20 |
| **Total** | **122** |

**Private days**

| | |
|---|---|
| Days the family used the charter boat without making any payment | 30 |

income-earning + private days = 152

**Total input tax (boat $58,695.65 + mixed-expenses $776.09) = $59,471.74**

The calculation is:

$$\$59{,}471.74 \times \frac{122}{152} = \$47{,}733.90 \text{ input tax}$$

Regan claimed input tax of $29,735.86 during the year. He is entitled to claim a further amount of $17,998.04 (credit) as an adjustment for input tax in Box 13 of his final GST return of the year. The calculation is:

$$\$47{,}733.90 - \$29{,}735.86 = \$17{,}998.04$$

If the amount of input tax calculated for the actual use of the asset was less than the input tax claimed during the year, the difference would be a debit adjustment added in Box 9 of the GST return for further GST to pay.

# Other adjustments

## Barters

You can also exchange goods and services for other goods or services, or a combination of goods, services and money - this is barter.

If the exchange is for other goods and services, you must account for 3/23 of the open (current) market value of whatever you received in return for your supply.

When part of the exchange is money, you must include:

- 3/23 of the open (current) market value of the goods and services you received, as a debit adjustment in your GST return, and
- the money received in the total sales box of your GST return.

Use this rule whichever accounting basis you're on.

You might also receive goods and services in full (or part-exchange) for your supplies from another person. Between you, work out a dollar value for the exchange, for example a trade-in. You must include this agreed value, plus any money involved, in Box 5 of your GST return.

## Insurance payments received

If you receive an insurance payment relating to your taxable activity, include 3/23 as an adjustment in the GST return that covers the time you received the payment. For example, an insurance company makes a payment to cover equipment damaged in a fire.

## GST shown on New Zealand Customs documents

The New Zealand Customs Service (Customs) collects GST when:

- goods are imported into New Zealand. Customs charges GST on the landed value (including insurance , freight and duties) for the goods.
- excisable goods (alcohol, fuel and tobacco) manufactured in New Zealand are removed from a licensed manufacturing area for home consumption. Customs collects any applicable levies and any GST on those levies.

Documents issued by Customs (such as a Customs import entry form C4, a Deferred payment of duty statement or Broker account statement) can be used to support a claim for a GST credit. Remember, you must hold these supporting documents to make a claim.

▶ Do not include imported goods under purchases on your GST return.

**When to account for GST paid to Customs**

The table below explains when to account for GST paid to Customs, depending on your accounting basis.

For more information about GST on imported goods go to the New Zealand Customs Service **customs.govt.nz** (search keyword: importers) or call 0800 428 786.

| If you use the | you |
|---|---|
| invoice basis | claim the GST content shown on the Customs document as a credit adjustment or in Box 13 of the paper GST return for the period you receive the invoice or make a payment, whichever is earlier. |
| payments or hybrid basis | claim the GST content shown on the Customs document as a credit adjustment or in Box 13 of the paper GST return for the period you make the GST payment. |

## FBT (fringe benefit tax)

Companies and employers registered for FBT do not need to make a private use adjustment. But, they will need to make a GST adjustment for any fringe benefits liable for GST.

Sole traders, partnerships and trusts registered for FBT may still have to make a private use adjustment if the owner, partners, trust members or associated persons use business assets privately. They also need to make a GST adjustment for any fringe benefits liable for GST.

Make the adjustment in the FBT return period you provide the benefits in.

| Step | What to do |
|---|---|
| 1 | Take the total taxable value of all fringe benefits from your FBT return. (This is the amount of the benefits, not the FBT itself.) |
| 2 | Subtract the value of any benefits which are exempt or zero-rated supplies for GST. The most common ones are:<br>• low-interest loans<br>• other financial services<br>• international travel<br>• contributions to employee superannuation and life insurance policies.<br>The result is the fringe benefits liable for GST. |
| 3 | Multiply the result from step 2 by 3 then divide by 23.<br>This is the GST adjustment to include in your FBT return. Include this adjustment in:<br>• Box 7 of the quarterly FBT return (IR420) for quarterly filers<br>• Box 6 of the annual FBT return (IR422) for annual filers<br>• Box 6 of the income year FBT return (IR421) for income year filers. |

***Example: Taxable benefits for FBT quarter ended 31 March 2021***

| | |
|---|---|
| Motor vehicles | $2,605 |
| Low-interest loans | $ 425 |
| Magazine and newspaper subscriptions | $ 52 |
| Subsidy on employee's honeymoon trip | $ 600 |
| Total | $3,682 |
| Benefits liable for GST are: | |
| Motor vehicles | $2,605 |
| Magazine and newspaper subscriptions | $ 52 |
| Total | $2,657 |

The low-interest loan and subsidy for the honeymoon are not included because loans are exempt supplies and international travel is a zero-rated supply.

The amount of the GST adjustment is $346.57 ($2,657 × 3 ÷ 23). Enter this in Box 7 for the FBT return for the quarter ended 31 March 2021. Pay the adjustment when your FBT for the March quarter is due.

If an employee makes a payment direct to the employer towards a fringe benefit, this is a separate supply and is liable for GST. Include this payment as income in Box 5 of the GST return. The time of supply is the same as for any other sale by the business.

***Example***

An employee has paid $100 cash direct to the employer. Add the $100 to the sales in Box 5 of the GST return. The GST to pay on the $100 is $13.04.

## Entertainment expenses

Business entertainment expenses are related to taxable income and are incurred in the course of running a business. Usually, only 50% of business entertainment expenses are deductible for income tax. Read our **Entertainment expenses - IR268** guide for details. You'll need to make a GST adjustment of 15% of the GST-exclusive non-deductible amount once a year.

You cannot claim GST on private entertainment expenses, for example, a restaurant lunch with friends.

During the year, keep showing your total business entertainment expenses on your GST return. The table below explains exactly when to make the adjustment depending on whether a tax agent prepares your income tax return.

| If you... | you make the adjustment in the GST return that covers... |
|---|---|
| do not have a tax agent | the date your income tax return is due or filed, whichever is the earlier date.<br>***Example***<br>If your 2023 income tax return is due on 7 July 2023 and you do not have a tax agent, you need to make your GST adjustment in the GST return which includes that date. |
| have a tax agent | the earlier of:<br>• the date your income tax return is filed, or<br>• 31 March after the due date for your income tax return. |
| have a tax agent who has an extension of time to file your income tax return | the date your income tax return is actually filed. |

▶ If an employee contributes to the expense, treat this as a separate supply for GST. Include the total expense amount in Box 11 on your GST return as usual and show the employee contribution in Box 5.

Because the GST adjustment is based on the amount which is not deductible for income tax, organisations that are not liable for income tax, for example, not-for-profit organisations and charities, do not need to make this adjustment.

### Calculating the adjustment for entertainment expenses

The table below explains how to calculate the adjustment for an entertainment expense using the example on the right.

***Example***

XYZ Ltd's only entertainment expense in the tax year was a business lunch for clients. The lunch cost $230 including GST. The income tax return for the year ending 31 March is filed on 7 July, and the company files six-monthly GST returns for the periods April and October.

XYZ makes the adjustment in the GST return for the 6 months ending 31 October. The full $230 would have been included in Box 11 of an earlier GST return to claim the GST credit.

| Step | What to do | Example |
|---|---|---|
| 1 | To work out the GST, multiply the expense by 3 then divide by 23. | $230 × 3 ÷ 23 = $30 |
| 2 | Subtract GST from the entertainment expense. | $230 – $30 = $200 |
| 3 | Work out the amount that is not deductible for income tax (50%). | $200 × 50% = $100 |
| 4 | Multiply the non-deductible amount by 15% (or 0.15). This is your GST adjustment.<br>Show this GST adjustment on your **GST adjustment calculation sheet - IR372** under 'Entertainment expenses'.<br>Transfer the total amount to Box 9 of your GST return for the period ending 31 October. | $100 × 15% = $15.00 |

▶ Before 1 April 2018 the GST component was calculated by multiplying by 3 and dividing by 23 (for example, $100 × 3 ÷ 23 = $13.04) at step 4.

## Telephone expenses

### Cellphones

If you have a business cellphone, you can claim GST on the total set-up cost.

If you use the same cellphone for private use, you can claim GST on these running costs:

- total fixed cost of running the phone
- business calls.

### How to claim for telephone line rental

See the table below.

| If you... | you... |
|---|---|
| have a commercial and domestic line rental | can claim the GST on the full cost of the commercial line. Include the commercial rental cost in Box 11 on your GST return.<br>You cannot claim any part of the domestic rental. |
| have only one telephone line rental and use it for business and private purposes | can claim GST on 50% of the cost. Show 50% of the rental in Box 11 on your GST return. The line can be commercial or domestic. |
| want to claim more than 50% of your rental | must show that the actual business use of your telephone is greater than 50%.<br>The proportion of business toll calls to private toll calls may be one factor in working out the overall business use. You'll need to consider other factors, for example, your type of business and how many people live in the house. |
| are a farmer | may claim the full cost of telephone rental used for business and private purposes. Include the full rental in Box 11 on your GST return. |
| make business-related calls | may claim the full amount of GST on these calls. |

## Bad debts written off

If you supply goods or services services and return GST on an invoice basis, but later write off all or part of the consideration as a bad debt, you can make a credit adjustment in the period you write it off. How you do this depends on your accounting basis - see the table below.

| If you use the... | you... |
|---|---|
| invoice or hybrid basis | account for a sale when you issue an invoice. If you've already included the GST on the sale in a previous return, and then later write off the debt, you'll use this adjustment. |
| payments basis | will not account for the GST on a sale until you actually receive it. If you do not receive payment and write the debt off, you cannot claim a deduction, because you have not included the GST on the sale in any previous GST return.<br>You may make an adjustment for door-to-door sales and hire purchase agreements if you use the payments basis. |

### Calculating a credit adjustment

Show $^3/_{23}$ of the full amount you've written off on the calculation sheet and include it in Box 13 of your GST return. You do not need to send in any documents supporting the write-off, but you do need to keep a record of the steps you took to recover the debt. For example:

- a debtor's ledger showing the date you issued the invoice
- letters from a solicitor/debt collector trying to recover the debt
- a bad debts ledger showing the write-off.

> ▶ You must write off the debt(s). You cannot claim for provision for bad debts.

*Example*

Brent, who uses the invoice basis, issues Chris with an invoice dated 26 October for electrical goods worth $115 including GST. Brent accounts for the sale in the return for the period ending 31 October. In the following March, Brent gives up hope of receiving payment from Chris and writes off $115 as a bad debt.

Brent shows $115 × 3 ÷ 23 on his IR372 under 'Bad debts written off' and includes it in Box 13 of his GST return for the taxable period ending 30 April.

### GST not charged on the full price

If the bad debt was for goods or services where GST was not charged on the full price (for example, the fifth week of a hotel stay, or a hire purchase sale), the GST adjustment is not simply $^3/_{23}$ of the bad debt.

Use this formula to calculate the adjustment:

bad debt written off ÷ total consideration × GST included in consideration = GST adjustment

*Example*

Sue stayed at the Holiday Hotel for 6 weeks. Her total bill was $6,005.57. Sue leaves, still owing $1,000. After some time, the hotel writes off the $1,000 as a bad debt. The amount of GST included in the total bill is $602.57. The hotel must make an adjustment in its return which covers the period of the write-off:

$1,000 ÷ $6,005.57 × $602.57 = $100.33

### Bad debts recovered

If you've had a GST deduction for a bad debt written off and you later recover all or part of the debt, you must make an adjustment for the amount recovered.

Include 3/23 of the amount recovered as a debit adjustment in your GST return.

*Example*

Manu, who uses the invoice basis, wrote off a bad debt of $2,500 and later recovered $1,600. He must make an adjustment of $208.70 ($1,600 × 3 ÷ 23) at the time of recovery, even if he's changed his accounting basis since then.

# Part 5 - Supplies

## Exempt supplies

Some goods and services are exempt from GST so you do not include them in your GST return. These include:

- financial services
- penalty interest
- renting a dwelling for use as a private home
- residential accommodation under a head lease.

### Financial services

These include:

- paying or collecting any amount of interest
- mortgages and other loans
- bank fees
- securities such as stocks and shares
- providing credit under a credit contract
- exchanging currency (for example, changing US$ into NZ$)
- arranging or agreeing to do any of the above (for example, mortgage broking)
- financial options
- provision or transfer of ownership of a financial option
- deliverable future contracts
- non-deliverable future contracts.

For more information see our **Tax Information Bulletin (TIB), Vol 16, No 10 (November 2004).**

### Penalty interest

Interest charges on overdue accounts are treated as exempt supplies.

***Example***

If you sell goods to another supplier on a 30, 60 or 90-day account basis, and the account becomes overdue, any penalty interest chargeable on the non-payment should not be included in your GST return.

> ▶ You do not pay GST on fines and penalties you get for a statutory offence, for example, parking penalties or infringement fees issued by courts or local authorities.

### Renting a residential dwelling

The rent for a residential dwelling is exempt from GST. A landlord cannot claim GST on any expenses, such as maintenance, rates, and insurance.

If a residential dwelling is sold as part of a taxable activity, and it was rented for at least 5 years beforehand, the sale is an exempt supply.

If a property developer acquires a property for the principal purpose of making a taxable supply and then subsequently rents the property out, a change of use adjustment may be required.

### Residential accommodation under a head lease

In most cases, if a property is leased as residential accommodation under a head lease, both the supply of the head lease and the sub-lease are exempt supplies.

## Zero-rated supplies

Some supplies are zero-rated for GST and taxed at 0%.

### Restraint of trade

Any payment you receive in return for not conducting a taxable activity outside New Zealand is zero-rated.

### Internet sales

A registered New Zealand-owned entity selling goods or services through the internet to customers in New Zealand must charge GST at the usual rate.

But, a New Zealand-owned entity selling goods or services through the internet to overseas buyers will generally charge GST at 0%.

We expect sellers to take reasonable steps to check where the customer lives and where the goods or services are going.

### Sale of a going concern

A going concern is a business sold 'lock, stock and barrel' or is part of a business that can operate independently. The business must be a going concern at the time of sale, right up to the time of the transfer to the buyer.

A supply of goods or services must meet these criteria to be a going concern:

- It must be the supply of the whole or stand-alone part of a taxable activity, from one registered person to another.
- It must be the supply of all the necessary goods and services for the activity to continue.
- Both parties must agree in writing there is a supply of a going concern.
- Both parties must intend the activity is capable of being carried on as a going concern by the buyer.

The sale is zero-rated for GST if it meets all these criteria.

***Example***

Pat, a dairy farmer, sells his dairy farm (including land, herd, all buildings and all machinery) to another GST-registered farmer. This qualifies as the sale of a going concern if both parties agree.

If Pat had sold the land and buildings but kept the machinery and the herd, it would not qualify as a going concern. The sale of the land and buildings may still be zero-rated, see land transactions in this guide.

But, if he'd sold parts of the farm that could have been operated separately as a going concern, the sale would be zero-rated.

### Land transactions

A GST-registered person must zero rate a supply, if the supply wholly or partly includes land, and:

- is made to another registered person, and
- the recipient acquires the goods with the intention of using them for making taxable supplies, and
- it is not intended to be used as a principal place of residence by the recipient or a relative of the recipient.

To be a zero-rated supply, the above conditions for zero-rating must be satisfied at the time of settlement of the transaction. If any of these conditions are not satisfied at the time of settlement, the supply will be taxed at 15%.

Refer to **ird.govt.nz/gst/charging-gst**

## Not eligible for zero-rating

### Services performed in New Zealand for a third party

Services performed under contract to a non-resident who lives outside New Zealand, delivered to a third party in New Zealand, and where it is reasonably foreseeable at the time the contract is entered into the services will not be received by the third party in the course of making taxable or exempt supplies, are not eligible for zero-rating.

GST is charged at the standard rate of 15% if supplied to non-residents, but the supply is received in New Zealand.

***Example***

A Singaporean family wants their child to receive a year's education in New Zealand. The parents contract a New Zealand school to supply the tuition.

The supply of the tuition is not zero-rated because the child will receive the tuition in New Zealand, and it was reasonably foreseeable at the time the contract was entered into, the child will not receive the tuition in the course of making taxable or exempt supplies.

***Example***

A non-resident tour operator buys accommodation from New Zealand hotels and puts them into travel packages for tours of New Zealand. The travel packages are then sold to non-resident tourists.

The supply of accommodation contracted between New Zealand hotels and the non-resident tour operator is not zero-rated because it's reasonably foreseeable another person (the non-resident tourist) will receive the services in New Zealand and will not receive the accommodation in the course of making taxable or exempt supplies.

## Special supplies

Special supplies are different from the normal business sales or purchases.

### Accommodation

The supply of residential accommodation in a dwelling is exempt from GST. However, GST may be included for accommodation in a commercial dwelling. Commercial dwellings include:

- hotels, motels, homestays, farmstays, bed and breakfast establishments, inns, hostels or boarding houses
- some serviced apartments
- convalescent homes, nursing homes, rest homes or hospice
- camping grounds
- other commercial dwellings.

> ▶ A commercial dwelling does not include a residential unit in a retirement village or rest home when it is supplied with the right to occupy.

If your taxable activity is running a commercial dwelling, you can calculate the GST on the accommodation in 2 ways.

#### 4-week rule

**Commercial dwellings - residential establishments, for example boarding hostels or rest homes**

For the first 4 weeks' stay, charge GST on the full value of accommodation in the dwellings.

After 4 weeks, charge GST only on 60% of the value of the domestic goods or services, usually the right to occupy the premises. This may include any of the following:

- cleaning and maintenance
- electricity, gas, air-conditioning or heating
- telephone (not tolls), television, internet, radio or similar chattels.

***Example***

Lauren stays for 6 weeks at the Comedy Hotel. The GST-exclusive costs are:

| | |
|---|---|
| 42 nights at $104 per night | $4,368 |
| Food and laundry | $1,035 |

**Comedy Hotel** INVOICE

| | | |
|---|---|---|
| Lauren Hardie<br>71 John Street<br>Christchurch | GST No. 987-654-321<br><br>08 April 20XX | |
| 28 days (first 4 weeks) at $104 per night | $2,912.00 | |
| GST (15% of $2,912.00) | $436.80 | |
| | | $3,348.80 |
| 14 days (after 4 weeks) at $104 per night | $1,456.00 | |
| 60% of $1,456.00 $873.60 | | |
| GST at 15% $131.04 | $131.04 | |
| | | $1,587.04 |
| Food and laundry | $1,035.00 | |
| GST at 15% | $155.25 | |
| | | $1,190.25 |
| **Total due** | | **$6,126.09** |

Main Street WELLINGTON PO Box 36 363 WELLINGTON Phone: (04) 333 6666
comedyhotel@hotmail.com

This is how they calculate the amount for their GST return:

| | |
|---|---|
| first 28 days | $ 436.80 |
| next 14 days | $ 131.04 |
| food and laundry | $ 155.25 |
| total GST charged | $ 723.09 |

$723.09 × 23 ÷ 3 = $5,543.69 is included for sales and income.

If a joint charge covers all supplies for bed and breakfast, the fully taxable supplies (breakfast) must be identified separately from the domestic goods or services (bed).

### Residential establishment, - boarding hostels, resthomes

If you and the guest agree the stay is for longer than 4 weeks, you must charge GST on 60% of the value of domestic goods or services from the beginning of their stay.

## Advance payments

A supplier who receives advance or progress payments must account for the GST on the payments. These are inducements for a supply of goods, not financial services (which are exempt supplies).

***Example***

**Tina** is a fruit grower. She receives an advance payment from her marketing board and accounts for it like this:

She includes the advance payment in total sales and income in the same period she receives it.

If, for some reason, Tina has to pay back all or part of the advance she received from the marketing board it will be treated as a loan. As a loan, the advance will be exempt from GST because it's a financial service.

**The marketing board** may claim a GST credit for the advance payment made, as long as they hold the necessary taxable supply information (such as an invoice or other documents). If the advance is later repaid, it must be included in total sales and income. Any interest is exempt because it's a financial service.

**A GST-registered agent** who is involved in the transaction must account for GST on any commission or fee they charge.

## Auctions and auctioneers

Ownership of goods under auction never passes to the auctioneer. Auctioneers sell goods on behalf of others (principals). An auctioneer may not know whether the principals are registered for GST, or whether to charge GST on a particular lot.

The sale of goods on behalf of a non-registered principal is not taxable. The sale of a registered person's private assets is generally not taxable.

The auctioneer can charge and account for GST as though making the taxable supply, as long as both the principal and the auctioneer agree to this arrangement.

If the principal is registered, the GST-inclusive sale price, less commission, is passed on to the principal who must account for GST. If the principal is not registered, the auctioneer will pass the GST-exclusive sale price, less commission, on to the principal.

An auctioneer who is registered for GST must account for the GST on fees or commissions.

Auctions may be held on either a GST-inclusive or a GST-exclusive basis. The auctioneer should state this clearly at the beginning of the auction, so the bidders know whether or not their bids include GST.

## Delayed settlement transactions

A vendor registered for GST on a payments basis who enters into a property transaction with a delayed settlement date must account for GST when an invoice is issued or when payment is received, whichever happens earlier, when the price of the property exceeds $225,000 including GST.

This does not apply if:

- the supply is made under a short-term agreement for the sale and purchase of property - under one year
- the supplier is a not-for-profit organisation and at the time of supply, the recipient is not a registered person and is either:
  - not intending to use the goods and services for the purposes of carrying on a taxable activity, or
  - intending to use the goods and services for the purposes of carrying on a taxable activity but only after the full amount for the supply is paid to the supplier.

## Door-to-door sales

The time of supply is the first day after the period in which the purchaser may cancel the sale. If you're a door-to-door salesperson, your buyers have either 7 days or 1 month to cancel the sale depending on the cancellation period. You account for the supply in the taxable period covering the day after the final date for cancellation.

***Example***

Selena Wares, a door-to-door salesperson, sells an item on 31 May, the last day of the taxable period. Day 8 after the sale is 8 June. She includes the full price for the supply in the taxable period covering 8 June.

If you purchase from a door-to-door salesperson, you can claim a credit in the taxable period covering the first day after the cancellation period (provided you hold an invoice). This applies even if you get an invoice or make payment before that date.

## Full price not known at the time of supply

Sometimes, a final price is not settled until after the goods or services are physically supplied. If you're supplying goods or services like this and you use the invoice or hybrid basis you include GST on the known component of the price in the earliest period of when you:

- issued an invoice for any part of this supply, or
- have a payment due, or
- received a payment.

If you use the payments basis, you will account for the supply when you receive payments.

***Example***

Andy sells produce to an exporter for a down payment plus an end-of-season catch-up, based on export prices. Andy accounts for the down payment immediately. He accounts for the catch-up payment when it's due, received, or when an invoice is issued - whichever is earlier.

However, if you buy goods or services when you do not know the full price and you use the invoice basis, you claim a credit in the earliest taxable period you:

- receive an invoice, or
- make a payment, or
- have a payment due.

You must hold taxable supply information to support any claim.

For purchases under the payments or hybrid basis, claim a credit when you make a payment.

## Gaming machines

Gaming machine operators must register for and pay gaming machine duty. They must also pay GST on the value of the gaming machine revenue. This is the difference between:

- the increase in metered turnover
- less the increase in metered total wins during a return period.

The amount of any jackpots won during that return period is also deducted from total turnover if the jackpot figure is not included in the metered total wins.

When accounting for GST, gaming machine revenue is calculated from the records you're required to keep for the Department of Internal Affairs.

Where your monthly machine analysis reports or cashless gaming machine analysis reports are prepared to coincide with the last day of your taxable periods, you can use them to calculate the gaming machine revenue.

You also pay problem gambling levy (PGL) on gaming machine profits. You can claim back the GST on PGL.

For more information read our **Gaming machine duty guide - IR180** guide.

## Grants and subsidies

Any grant or subsidy you receive in relation to your taxable activity from the Crown or a public authority, is considered to include GST if you're registered for GST. Include the full grant or subsidy with total sales and income in your return.

***Example***

Helen employs 10 staff. She gets a $200 wage subsidy each week for 8 weeks. The GST content is $208.69.

| | |
|---|---|
| $200 × 8 (weeks) | $1,600.00 |
| $1,600 × 3 ÷ 23 | $ 208.69 |

Helen includes $1,600 as sales in her return.

There is an exception for grants intended for international overseas development. You have to return GST on the portion of the grant allocated for administration and capacity building in New Zealand.

If you receive a government grant or subsidy, you do not normally need to provide taxable supply information. However, if you receive a grant or subsidy, for example, a research grant, from another registered person, they will probably ask you for taxable supply information.

If you pay a grant or subsidy in exchange for taxable supplies, you may request taxable supply information and claim a GST credit.

## Hire purchase agreements

You must account for all hire purchase sales in the taxable period covering the date you enter into the agreement. This rule applies to whichever accounting basis you use.

If you buy goods on hire purchase, you may claim a deduction in the taxable period covering the date you enter into the agreement. This rule applies to whichever accounting basis you use.

## Insurance

If you get an insurance payment relating to your taxable activity, you are usually required to include the GST content as a debit adjustment in the return which covers the time you received the payment.

***Example***

Damien's distilling equipment was damaged by fire on 20 January. An insurance company paid the claim on 18 March for $4,500 to cover the damage.

Damien includes $586.95 ($4,500 × 3 ÷ 23) as a debit adjustment in his return for the taxable period covering 18 March.

You do not account for any payment received under a life insurance contract, because the insurer cannot charge GST on the premiums.

Some types of insurance premiums are liable for GST (for example, fire and general insurance). A registered insurer may claim deductions for payments to policy holders when they are made. An invoice is not needed.

The insurer will need taxable supply information to deduct any other payments for claims on policies, for example, a payment to a panelbeater for repairs to an insured vehicle.

Insurers cannot claim for payments made under life insurance policies.

## Lay-by sales

The time of supply is the date the buyer gets legal possession of the goods. If the sale is cancelled and the seller keeps part of the money, the time of supply is the cancellation.

Include the full cost of a lay-by sale in the taxable period in which the buyer takes ownership of the goods. This is the time of the final payment.

Do not account for the lay-by payments as you receive each one, but wait until you receive the final payment, even if you use the payments basis.

***Example***

Sue buys a chair on lay-by from a furniture shop in January. The full price is $560. Sue pays $160 as a deposit, and instalments of $200 in February and March. The chair is delivered in April. The furniture shop accounts for GST in the taxable period covering March, because that's when Sue became the owner.

If a lay-by sale is cancelled and the retailer keeps some of the payments already made (or receives any later payments), they account for this amount in the taxable period which the sale was cancelled in. GST is calculated on the full amount kept, or received later, and it must be included in the return.

***Example***

Sue cancels the agreement with the furniture shop in February and gets a $300 refund. She loses $60 for doing this, which the furniture shop accounts for in the taxable period covering February.

If you buy goods on lay-by, you may claim a deduction when you have fully paid for them, and you have taxable supply information.

When you cancel a lay-by sale, you may claim $^3/_{23}$ of any cancellation charge made by the supplier, in the same period you cancel the sale, as long as you have taxable supply information.

## Local authority rates

Local authorities are the only GST-registered organisations which charge rates.

The time of supply for rates is on the earlier of:

- the date of an instalment notice for a single payment, or
- the due date for payment, or
- the date when payment is received.

Registered people may claim GST for rates payments for premises used in a taxable activity.

If you use the invoice basis and you pay your rates in one lump sum, you may claim for GST when you make the payment or receive an invoice, whichever comes first. If you pay rates in instalments, you may claim the GST when each instalment is due or paid, whichever comes first.

For the payments and hybrid basis, you claim GST for rates when you make payment, if you hold taxable supply information.

## Periodic payments and hire agreements

Periodic payments and hire agreements are treated as a series of separate supplies for each period of the agreement. The time of supply is the date payment is due or received, whichever is earlier.

## Private dwellings as part of taxable activity

If a registered person buys a taxable activity that includes a dwelling, it may be treated as a separate supply (exempt). If the dwelling is treated as a separate supply, to claim a GST credit, the purchaser must prove how the dwelling will be used as part of the taxable activity.

## Repossessions

When a buyer does not keep up their payments in a hire purchase arrangement (debtor), the seller will usually repossess the goods and resell them. The original buyer (not the repossessor) is considered to supply the goods to the new purchaser if there is a forced sale.

If the goods sold are used in a taxable activity, the repossessor must account for GST on goods sold after repossession, unless the repossessor has:

- a written statement from the debtor, or
- reliable information, for example, from the debtor's accountant or solicitor, that the goods would not be a taxable supply if the debtor sold them.

The repossessor will need to file a **GST return for goods sold in satisfaction of debt - IR373**.

*Example*

Brett sells a $1,200 fridge on hire purchase to Maria for her restaurant. Brett accounts for GST of $156.52 ($1,200 × 3 ÷ 23) in the return covering the period in which the agreement was made.

Maria does not keep up the payments.

Brett repossesses the fridge and sells it again. He then files an IR373. The sale after repossession, and the GST to be accounted for on it, is considered to be made by Maria.

## Sale of interest in a taxable activity

In an unincorporated body, for example, a partnership, joint venture or trust, the body is the registered person, not the individual members.

So, if a member sells an interest in the unincorporated body, it's a private transaction between 2 people and not a taxable supply and there's no GST to account for.

## Secondhand goods

For GST, secondhand goods are goods previously used and paid for by someone else. Secondhand goods do not include:

- new goods
- primary produce - unless previously used
- goods supplied under a lease or rental agreement
- livestock
- secondhand goods consisting of any fine metal of any degree of purity (except to the extent the goods are composed of gold, silver, or platinum manufactured for sale to the public).

> ▶ Land is secondhand goods.

The same rules for GST and record keeping apply to secondhand goods as for all other goods liable for GST.

## Secondhand goods if seller is not GST-registered

If the seller is not registered for GST or the goods are private (exempt), there is no GST charged. If the purchaser is GST-registered they can claim a credit.

To do this the purchaser must record:

- the name and address of the supplier
- the date of the purchase
- a description of the goods
- the quantity of the goods
- the price paid.

> ▶ You'll also need to keep details of the transaction if you're going to make a claim for income tax purposes.

It does not matter which accounting basis you use; you must make a payment before you can claim the credit for the purchase.

## Successive supplies and progress payments

The 'time of supply' is when a progress payment is made or when an invoice is provided, whichever comes first.

Goods or services must be either:

- supplied progressively or periodically, and paid for in the same way, or
- supplied directly in constructing, manufacturing, or extending a building, or civil engineering work, with payments made periodically as the work progresses.

If you get progress payments and you use the invoice or hybrid basis, account for the GST in the earliest taxable period a payment is due or received, or when you provide an invoice for that payment only.

For the payments basis, account for GST when you receive payments.

If you're making progress payments under the invoice basis, you may claim a GST credit in the earliest taxable period a payment is due, when you make a payment, or when you get an invoice for that instalment. You must have taxable supply information to support any claim.

You claim a credit in the taxable period you make a payment in if you're using the payments or hybrid basis.

## Supplies to associated persons

Special rules apply if you make certain supplies to people closely associated with you, for example, relatives, closely connected associated companies or trusts.

See **definition of associated persons.**

## Supply to registered associated persons

If you supply goods or services to an associated person who can claim a GST credit for the purchase, you account for GST on the amount received.

*Example*

Jones, Smith and Brown, a GST-registered partnership, sells a piano to Lee, a sister of one of the partners. Lee is registered for GST and can claim GST on the purchase. The open (current) market value of the piano is $2,000, but the sale goes through for $1,500. The partnership accounts for GST of $195.65 ($1,500 × 3 ÷ 23).

## Supply to unregistered associated persons

If you supply goods or services to an associated person who cannot claim a deduction, you must determine the open (current) market value of the supply and account for the market value, or the amount you charged, whichever is the larger amount.

In the previous example, if Lee was not registered for GST, the partnership would account for GST of $260.87. This is the $2,000 market value multiplied by 3 then divided by 23.

Include transactions with associated persons in the return for the taxable period when the supply was made. If you get a payment or issue an invoice before the last date for filing the return, use either the payment date or invoice to work out which taxable period the supply falls in, depending on your accounting basis.

> ***Example***
>
> A partnership has a 2-month taxable period. The return for the period ended 30 April is due on 28 May.
>
> The partnership supplies goods with an open (current) market value of $135 to a non-registered brother of one of the partners on 24 April and receives payment of $100 on 16 June. The partnership will account for $17.61 GST (on the market value of $135) in the return for the taxable period ended 30 April, because this is the period when the supply was made.

If the partnership had issued an invoice or received payment during May (before the April return was due to be filed), the $17.61 GST would be included in the return for the taxable period ended 30 June because the invoice or payment would fall in the June period.

## Time of supply between associated persons

Claim a deduction in your return for the taxable period when the supply is made available, removed, or performed and you hold taxable supply information. However, if you make a payment or receive an invoice before the last date for filing the return for that taxable period you should instead claim the deduction in the taxable period:

- you make any payment or an invoice is issued (whichever is the earlier), if you are an invoice basis taxpayer; or
- you make payment, if you are on payments or hybrid basis.

## Telecommunications – mobile roaming services

### Outbound mobile roaming services

These are mobile roaming services used outside New Zealand by a person with a New Zealand registered mobile device and their usual network is in New Zealand. These services are subject to GST of 15%

### Inbound mobile roaming services

These are mobile roaming services used by a non-resident who is in New Zealand and their usual mobile network is outside New Zealand. These services are zero-rated for GST if supplied by a resident or treated as being made outside New Zealand (and so not subject to GST) if supplied by a non-resident.

## Tenders

A GST-registered person may call tenders for a future supply of goods or services. The advertisement should state whether the tenders need to include GST.

Occasionally, the person making a tender will have to pay a deposit. There is not usually any GST on a deposit unless all or part of it is kept for some reason.

## Tokens, stamps and vouchers

There are special rules for the sale of tokens, postage stamps and gift vouchers. The supplier should treat tokens, stamps and vouchers as a supply for GST purposes at the time a customer buys them.

GST can be accounted for when the customer actually exchanges the voucher for the monetary value of the goods or services bought, if both suppliers agree.

> ***Example***
>
> A petrol station owner sells an oil company's $20 petrol voucher to a customer. The petrol station owner collects the $20 for the oil company and forwards it to them.
>
> The customer gives the voucher to a friend who buys petrol at another petrol station. Because there's an agreement between the petrol stations to return the GST on redemption of the voucher, the second petrol station tells the oil company they have sold petrol (goods) in exchange for a $20 petrol voucher.
>
> The oil company reimburses the second petrol station owner for the sale, who accounts for the GST on the $20 by including the total amount of the sale in their GST return.

This option does not apply to postage stamps and vouchers sold to a non-resident for services performed in New Zealand. The supplier has to account for GST on these items when the customer buys them.

### Buying tokens, stamps and vouchers

Where GST applies on the supply, you can claim tokens, stamps, and vouchers as an expense when you buy them, according to your accounting basis if you hold taxable supply information.

# Part 6 – Services you may need

## ird.govt.nz

Go to our website for information and to use our services and tools.

- **Log in or register for myIR** - manage your tax and entitlements online.
- **Calculators and tools** - use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates, calculate your student loan repayment.
- **Forms and guides** - download our forms and guides.

### Forgotten your user ID or password?

Request these online from the myIR login screen and we'll send them to the email address we hold for you.

## How to get our forms and guides

You can get copies of our forms and guides at **ird.govt.nz/forms-guides**

## Supporting businesses in our community

Our Community Compliance officers offer free tax education and advice to businesses and small organisations, as well as seminars for personal tax and entitlements.

Our Kaitakawaenga Māori offer a free advisory service to help meet the needs of Māori individuals, organisations and businesses.

Go to a seminar or workshop, or request a visit from us to find out more about:

- records you need to keep
- taxes you need to know about
- using our online services
- completing your tax returns (eg GST, employer returns)
- filing returns and making payments
- your KiwiSaver obligations.

Go to **ird.govt.nz/contact-us** and select the In person option to find out about requesting a visit.

Find a seminar or workshop near you at **ird.govt.nz/contact-us/seminars**

## Need to speak with us?

The best way to contact us is to send a message in myIR.

If you do need to speak to us, have your IRD number ready and call us on one of these numbers.

**Personal taxes**

| | |
|---|---|
| General tax, tax credits, refunds, payment options, Working for Families payments, and paid parental leave | 0800 775 247 |
| Child support (8am to 5pm Monday to Friday) | 0800 221 221 |
| Student loans | 0800 377 778 |

**Business taxes**

| | |
|---|---|
| General tax, tax credits and refunds | 0800 377 774 |
| Employers | 0800 377 772 |
| GST | 0800 377 776 |
| Significant enterprises | 0800 443 773 |

**International callers**

Find the best number to call at **ird.govt.nz/contact-us**

Free calling does not apply to international callers.

**Want faster access to our services?**

Voice ID-enrolled customers have shorter calls and better after-hours access.

| | |
|---|---|
| Enrol for voice ID | 0800 257 843 |
| Reset your myIR password | 0800 227 770 |
| Check your account balances | 0800 257 777 |
| Order forms and guides | 0800 257 773 |

Our self-service lines are open 7 days a week. They offer a range of automated options, especially if you're enrolled with voice ID.

**If you have a complaint**

| | |
|---|---|
| Complaints Management Service (8am to 5pm Monday to Friday) | 0800 274 138 |

Find out more at **ird.govt.nz/contact-us**

## Privacy

Meeting your tax obligations means giving us accurate information so we can assess your tax and entitlements under the Acts we administer. We may charge penalties if you do not.

We may also exchange information about you with:

- some government agencies
- another country, if we have an information supply agreement with them, and
- Statistics New Zealand (for statistical purposes only).

You can ask for the personal information we hold about you. We'll give the information to you and correct any errors, unless we have a lawful reason not to. Find our full privacy policy at **ird.govt.nz/privacy**

## If you have a complaint about our service

We're committed to providing you with a quality service. If there's a problem, we'd like to know about it and have the chance to fix it.

If you disagree with how we've assessed your tax, you may need to follow a formal disputes process.

Find out more about making a complaint, and the disputes process, at **ird.govt.nz/disputes**

# Terms we use

### Adjustment
A change you need to make to income or expenses to allow for the private use of an item.

### Apportionment
Calculation of the part of an asset, income or expense that is used privately and for business.

### Associated persons
These are:

- companies controlled by the same persons
- companies and persons with a 25% or greater interest in the company
- partnerships and partners
- relatives by blood, marriage or adoption, to the second degree (including people in a de facto relationship)
- trustees of a trust and persons who have benefited or are eligible to benefit under the trust
- trustees and the settlor of a trust, except where the trustee is a charitable or not-for-profit organisation
- trustees of two trusts which have a common settlor
- trustees of a trust and a person who has the power of appointment or removal of the trustee, except where the person holds that power as a provider of professional services
- joint ventures and its members
- two persons who are each associated with a third person.

A New Zealand branch or division of a non-resident entity is treated as a separate entity from its non-resident head office for any imported services supplied from the non-resident to the New Zealand branch or division.

> ▶ To determine whether two companies or a company and an individual are associated, interest held by any person in a company must be aggregated with interests held by associates of that person.

### Consideration
Money, compensation or reward, for doing or not doing, an action in return for a supply of goods or services.

### Market value
The amount that similar goods would cost at the same time in New Zealand, GST-inclusive.

### Registered person
A person registered or liable to be registered for GST.

### Return (verb)
Account for.

### Revenue account
Consumables, items which are not capital/major assets.

### Taxable supply information
Taxable supply information refers to a minimum set of information buyers and sellers need to keep as evidence of a transaction. The taxable supply information required depends on the value and the type of supply and does not need to be in a single physical document, such as a tax invoice.

### Taxable activity
Any activity carried out continuously or regularly by a business, trade, manufacturer, professional person, association or club. It includes any activity that supplies or intends to supply, goods and services to someone else for a consideration but not necessarily for profit. It does not include: working for salary and wages, being a company director, hobby activities or any private recreation pursuit, private transactions such as the occasional sale of household or domestic items, or making exempt supplies.

### Taxable supplies
Any goods or services you provide while carrying on your taxable activity.

### Turnover
The total value of the taxable supplies in all your taxable activity, including grants and subsidies you receive or barter transactions, excluding any GST. This is not your profit because your expenses are not deducted when determining your turnover.

Te Kāwanatanga o Aotearoa
New Zealand Government