Inland Revenue
Te Tari Taake

IR375
March 2021

GST guide

Working with GST

Contents

Introduction

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

Read our **GST Plus - IR546** guide for information on infrequent and/or complex GST issues which will only apply to a limited number of registered persons, or will only occur under certain conditions.

Non-resident GST rules

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

Non-resident businesses that do not carry out a taxable activity in New Zealand, but receive goods or services here, may be able to register for and claim GST.

If you're a non-resident business that supplies from outside New Zealand to consumers in New Zealand

- low-value goods (physical goods valued at NZ$1,000 or less each)
- remote services (such as legal and accounting advice) and digital products (such as e-books, software downloads and streamed movies and music)

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

GST registration

If you're reading this guide we assume you've already registered for GST.

You'll fall into one of these two groups:

- your business turns over, or is expected to turn over $60,000 or more a year (turnover is your total income before expenses and GST), or
- you've decided to register voluntarily for GST.

When you registered you would have received a letter giving:

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

> ▶ If you voluntarily registered for GST, and after reading this guide you decide that registering was a mistake, you may de-register. See Part 3 of this guide for more information about ending your GST registration.

If you have not registered for GST but you're considering it, we advise you to read our factsheet **GST - Do you need to register - IR365** first.

Filing in myIR

You can file GST returns in your myIR account. The benefits of filing in myIR include:

- instant confirmation you have filed your return
- faster processing.

Filing in accounting software

You can file GST returns with us through some accounting software. The benefits of filing through accounting software include:

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

Your software provider can confirm if this filing feature is available as part of their software package.

Part 1 - Explaining GST

What GST is charged on

GST is a 15% tax on the supply (sale) of most goods and services in New Zealand, most goods imported into New Zealand and some specified imported services. Supplying or making a supply is your taxable activity.

A taxable activity includes these goods and services:

- **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 × 15%	Product	\$115 x 3 ÷ 23
GST amount	\$ 15	GST amount	\$ 15
Product Plus GST amount	\$ 100 \$15	Product Less GST amount	\$115 \$ 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 the GST I collect from my customers and pay on my purchases?

There are two sides to the GST equation:

- 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 balance 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 your basic GST requirements

Filing GST returns

You're required to file regular GST returns. You can choose how often you do this - monthly, two-monthly or six-monthly. The period you choose is your "taxable period" or "filing frequency". If you did not choose a taxable period when you registered we'll put you on the two-monthly option matching your balance date.

You can apply to change your taxable period if this does not suit. Write and tell us which 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 you hear from us.

> ▶ If you're registering for GST and you're also liable for provisional tax, you'll need to match your GST taxable period with your balance date. For example, if you file your GST returns two-monthly and have a March balance date your taxable periods are April/May, June/July, August/September, October/November, December/January, February/March.

Monthly

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

Two-monthly

You can choose to file your returns in odd or even months. Preparing your GST accounts every two months helps keep you on top of your GST requirements. Completing GST returns every two months helps keep in touch with your business's progress.

Six-monthly

If your business has just a few transactions, this could be an option for you. You can apply for a six-monthly filing frequency if the value of your total sales:

- was less than $500,000 in the last 12 months, or
- is unlikely to be more than $500,000 in the next 12 months.

When to file your returns

You must file your GST return along with any payment due by the 28th of the month following the end of your taxable period. There are two exceptions to this. If your taxable period ends on:

- 30 November, your return and payment will be due on 15 January of the following year
- 31 March, your return and payment will be due on 7 May.

If the due date falls on a weekend or public holiday, the due date is the next working day.

What are my options for claiming and paying GST?

When you registered for GST you may have already chosen an accounting basis for claiming and returning your GST. The options are the invoice, payments or hybrid basis. If you did not choose one we'd have put you on the invoice basis.

If you want to change your accounting basis, put your request in writing, telling us which one you'd like to change to.

Accounting basis	Who can use it
Payments basis	A registered person can use this basis if: • the total amount of sales in the last 12 months was $2 million or less, or • the total amount of sales is unlikely to be more than $2 million in any 12-month period, beginning on the first day of any month.
Invoice basis	Any registered person can use this basis.
Hybrid basis	Any registered person can use this basis - although it's not commonly used.

Payments basis

Under the payments basis you account for GST at the end of the taxable period when you make or receive the payment. This helps you manage your 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.

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 from your supplier.

You will:

- pay us the amount of GST shown on the invoices you've given to your customers (whether you've received a payment or not), and
- claim a credit for the amount of GST shown on tax invoices you've received from your suppliers (regardless of whether you've paid your supplier or not).

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. This method is not used as much as the other two because it can get complicated.

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 (eg, 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 can not 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.

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

Include all zero-rated supplies in Box 5 of your return with your total taxable supplies. You also show these zero-rated supplies in Box 6 of your return.

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 makes an apportionment between the zero rated supplies and taxable supplies.

Record keeping

Records must be in English or Māori, unless Inland Revenue has given written authority to keep records in another language.

Key points

- Keep all the paperwork that supports and explains your GST figures.
- Keep business records for seven years.
- Complete records save you time.
- Make sure your business GST number is clearly visible on all your business tax invoices.

Good record keeping ensures that your GST return process runs smoothly. You'll need all the relevant information to complete your return.

You should keep:

- copies of all business invoices you've sent out for payment
- copies of business receipts for items such as petrol and stationery
- copies of all till tapes (received or given).

For tax records kept in te reo Māori there are some exceptions:

- Certain phrases in the GST Act eg “tax invoice” must be in English
- Numerals must be in Arabic eg 1, 2, 3 etc.

Decide on a record keeping system that suits you, for example:

- a software programme that will let you 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 - see example on page 8.

Make sure you have all the relevant invoices, receipts 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 (eg, 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 GST on your paperwork and maintain your 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.

Example: Cashbook

New month on new page

Choose revenue items relevant and common to your business

Cashbook - sales and income

DATE	REFERENCE	INV#	BANK	GST RECEIVED	SALES	GRANTS	FUNDS INTRODUCED (NO GST)	INTEREST (NO GST)	SUNDRY
3 June	Customer (sale)	7	2,000 00	260 87	1,739 13				
5 June	Government (grant)		450 00	58 70		391 30			
8 June	Sale of computer (fixed asset)		1,125 00	146 74					978 26
15 June	Owner – Partner		800 00				800 00		
22 June	Bank interest		15 35					15 35	
25 June	Customer (sale)	8	1,750 00	228 26	1,521 74				
26 June	Commission sales	9	2,500 00	326 09	2,173 91				
	TOTALS		8,640 35	1,020 66	5,434 78	391 30	800 00	15 35	978 26

Use a separate column for GST only if you're GST-registered

Choose expense items relevant and common to your business

Cashbook - purchases and expenses

DATE	REFERENCE	CHQ	BANK	GST PAID	PURCHASES	COMMERCIAL RENT	MOTOR VEHICLE	WAGES (NO GST)	LOAN REPAYMENT (NO GST)	PRIVATE DRAWINGS (NO GST)	SUNDRY
3 June	Stock Ltd (purchase)	100	3,500 00	456 52	3,043 48						
3 June	H. Elp (wages)	101	881 00					881 00			
8 June	Landlord (commercial rent)	102	750 00	97 83		652 17					
15 June	Petrol co	103	55 00	6 52			43 48			5 00	
22 June	PAYE paid to IRD	104	195 00					195 00			
25 June	Partner drawings	105	400 00							400 00	
28 June	GST paid to IRD	106	310 98								310 98
30 June	Bank fees	DD	10 25								10 25
30 June	Loan	AP	800 00						800 00		
	TOTALS		6,902 23	560 87	3,043 48	652 17	43 48	1,076 00	800 00	405 00	321 23

Combined totals should equal the total in the bank column

Put uncommon items in the sundry column rather than setting up a new expense column

Getting and issuing tax invoices

Buying supplies

You need to get a tax invoice if you want to claim GST on any supplies costing more than $50 including GST which you buy for your taxable activity. You need to keep the tax invoice for your GST records.

When you buy supplies worth $50 or less it's still a good idea to get a receipt. If you want to claim the GST on these purchases you will need a record of the:

- date
- description
- cost
- seller.

Selling goods or services

You should issue tax invoices when you sell goods or services. If the sale is worth $50 or less including GST, you can issue a receipt instead.

Regardless of the amount of the sale, you must issue a tax invoice to another GST-registered entity if they ask you for one. You must do this within 28 days. It is an offence not to do this and we may charge you a penalty.

What every tax invoice must show

Every tax invoice you get or issue must show this standard information:

- the words 'tax invoice' in a prominent place
- the name (or trade name) and GST number of the seller
- the date of issue
- a description of the goods or services.

Tax invoices must be in New Zealand currency.

A tax invoice can only be issued once. If the buyer loses theirs you can give them another one but you must put the words 'copy only' on it.

Tax invoices for $1,000 or less

If you get or issue a tax invoice for supplies, goods or services worth $1,000 or less including GST, it must show the standard information plus:

- the total amount payable
- a statement that the total amount payable includes GST.

Tax invoices for more than $1,000

If you get or issue a tax invoice for goods or services worth more than $1,000 including GST, it must show the standard information plus the:

- name and address of the buyer
- quantity or volume of the goods or services, for example how many hours of labour, how many litres of petrol.

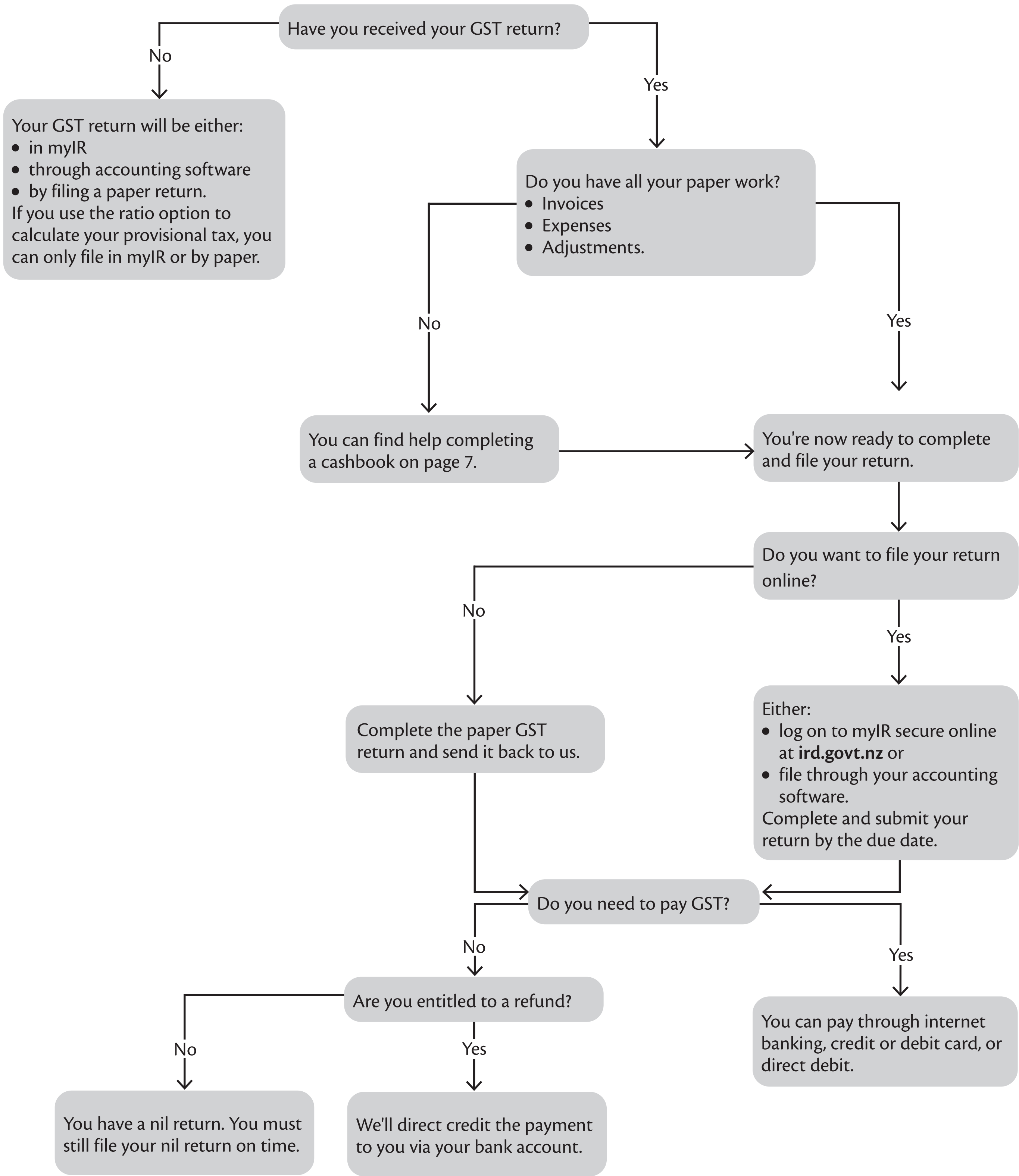
The tax invoice must also show one of these:

- The GST-exclusive amount, the GST amount and the GST-inclusive amount.
- The GST-inclusive amount and a statement that GST is included if GST is charged at the standard rate for all the goods or services listed.

Part 2 - How to complete and file GST returns

The return filing process

Follow this process if you have a taxable activity in New Zealand.



The GST return

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

- the GST you've added to items 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

Read the following pages to help you complete your return. The steps are the same whether you're completing your return online (see below) 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 through 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 receipt and confirmation that your return has been received successfully with time, date and receipt number so you have confidence that we have it and it's being processed. You can also save and/or print this confirmation for future reference. Note, you must keep a signed copy.
- **Faster refunds**: We process online returns faster than paper-based returns.

Which 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 two separate groups:

- GST on sales
- GST on expenses.

> ▶ If, at any time, you have difficulty completing your GST return contact your tax agent/accountant or call us on 0800 377 776.

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 preprinted, make sure you fill in these details.

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

Work out GST on sales and income

Box	Action	Completed √
5	Add up all sales and income that form part of your taxable activity plus any zero-rated supplies. This includes the GST amount of the sales and income. 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. 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. 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 tax invoices for your expenses. 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. 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 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

Goods and services tax return

For help in completing this return go to www.ird.govt.nz (keyword: IR375)

GST101A
May 2017

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

OFFICE USE ONLY
Operator code
Corresp. indicator
Payment attached
Return cat.

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) for which tax invoicing requirements have been met—excluding any imported goods	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

Has payment been made electronically? Yes No

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.

> ▶ If, at any time, you have difficulty completing your GST return contact your tax agent/accountant or call us on 0800 377 776.

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 preprinted, 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 GST103

Work out GST on sales and income

Box	Action	Completed √
5	Add up all sales and income that form part of your taxable activity plus any zero-rated supplies. Include the GST amount of the sales and income. 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. 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. 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 tax invoices for your expenses. 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. 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. 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

Inland Revenue
Te Tari Taake

Goods and Services Tax Act 1985
Income Tax Act 2007

Goods and services tax return

For help in completing this return go to www.ird.govt.nz (keyword: IR375)

GST103B
June 2017

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) for which tax invoicing requirements have been met—excluding any imported goods	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 preprinted 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. 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. 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. 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: • the asset was not revenue account property • the value of the asset is greater than - an amount equal to 5% of the total taxable supplies in the last 12 months, or - $1,000. Enter this figure in Box 21 of the return.	
22	Use the ratio percentage on the notice you received from us. 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. If an instalment is not due, do you want to make a voluntary provisional tax payment? 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? Enter the amount you want to transfer to provisional tax in Box 25 of the return.	
26	Does Box 15 show GST to pay? 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. 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

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

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 **This is your GST and/or provisional tax to pay**	28	$

Has payment been made electronically? Yes No

OFFICE USE ONLY
Operator code
Corresp. indicator
Payment attached
Return cat.

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

GST

Amount of payment $

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.

Adjustments

Key points

- There is often a crossover between personal and business use of goods and services. You need to adjust your GST return to reflect this.

In some instances, you may need to calculate a GST adjustment to either pay GST, eg, for a business asset used privately, or claim back GST that's already been paid, eg, for a private asset used for business. See part 4 of this guide.

You may also need to make adjustments for certain late claims and credit or debit notes that include GST at the old rate of 12.5%.

For other adjustments, you'll need to work out the private or exempt portion of various income and expenses.

Many small businesses get help from their accountant/tax agent for adjustments. If you do not have an accountant/tax agent, go to **ird.govt.nz/gst** or call us on 0800 377 776.

Credit and debit notes

When they're used

A seller must issue a credit or debit note if the price of goods or services changes after they've issued a tax invoice or filed a return.

- If the price goes down, the seller issues a credit note.
- If the price goes up, the seller issues a debit note.

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

A seller can combine a credit or debit note with a tax invoice. But the invoice must be for different goods or services than the credit or debit note.

The seller must include the credit or debit note in the GST return that covers the period the credit or debit note was issued.

Examples

A seller issues a credit note when a buyer:

- cancels an order
- returns faulty goods and the seller agrees to give them a credit.

A seller issues a debit note when:

- a seller undercharges by mistake
- a buyer adds more items to their order.

What they must show

A credit or debit note must show:

- the words 'credit note' or 'debit note' in
- a prominent place
- the name (or trade name) and GST *number of the seller
- the name and address of the buyer
- the date it was issued
- a brief explanation of why it was issued
- the words 'copy only' if it's a duplicate credit or debit note
- the information in list A or list B.

List A

- price of goods or services shown on the original tax invoice (including GST)
- correct price of goods or services (including GST)
- difference between the two prices
- GST on the difference.

List B

- where the original price included GST, show the differences between the original and the correct prices
- statement that the difference includes GST.

Example

CREDIT NOTE

Hello Electronics Limited
P.O. Box 998 Sylvester Street, Wellington
Ph: (04) 999 9990
Email: hello.electronics@aria.co.nz

GST Number:	555-555-555
Credit Note no:	CM1002
Date:	31/03/20XX
Your Ref:	PO S100
Our Ref:	IN1001
Terms:	Cash
Sales Person:	Smart Jo
Job No:	JB1000

Computer Racer Limited
100 Ellmers Street
Wellington

Attention: Mr Robson
Tel (04) 997 9999

SN	Product ID	Description	Qty UM	Unit Price	Amount
		To adjust IN1001 item 1 being unit overbilled at $2,040.00 each instead of $2,000.00 each			
1	CNB3000	Acme Bell Laptop	2 each	$40.00	$80.00
			Total before		$80.00
			GST		$12.00
			Total GST		$92.00

GST adjustments calculation sheet - IR372

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 online by logging into 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 or call us on 0800 377 776.
- You can make your payments to us 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.

- **Online filing** - you can do this in myIR or through your accounting software.
- **Manual filing** - complete the GST return you received and send it back to us.

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

Payment arrangements

Contact us if you are having trouble paying your tax debt.

You can send us a secure email in myIR or call us.

It's important you tell us early so we can work out ways to help you before the situation gets worse.

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 can not pay my GST amount what should I do?

File your GST return, then call us on 0800 377 774 to discuss your payment options.

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

You can not 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 - telephone, fax, 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 can not 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 will 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 can correct it in:

- a later taxable period and calculate the adjustment, or
- the same taxable period by writing to us with the details.

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

For more information on disputing an assessment, see our factsheet **If you disagree with an assessment - IR778**.

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 that is caused by the error is $1,000 or less.

Option 2

You can correct an error in the taxable period following the discovery of the error, provided the purpose is not to delay the payment of tax, when 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 a tax 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 that the supply to which the deduction relates was not a taxable supply
- a clear mistake or simple oversight of the registered person.

Record keeping

You must record these details in your GST paperwork 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.

But, 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

Key points

- There are 3 reasons for cancelling your GST registration.
- You'll need to file a final GST return when you deregister.
- Your provisional tax due dates will change if you filed GST six-monthly or calculated your provisional tax using the ratio method.

You can cancel your GST registration if:

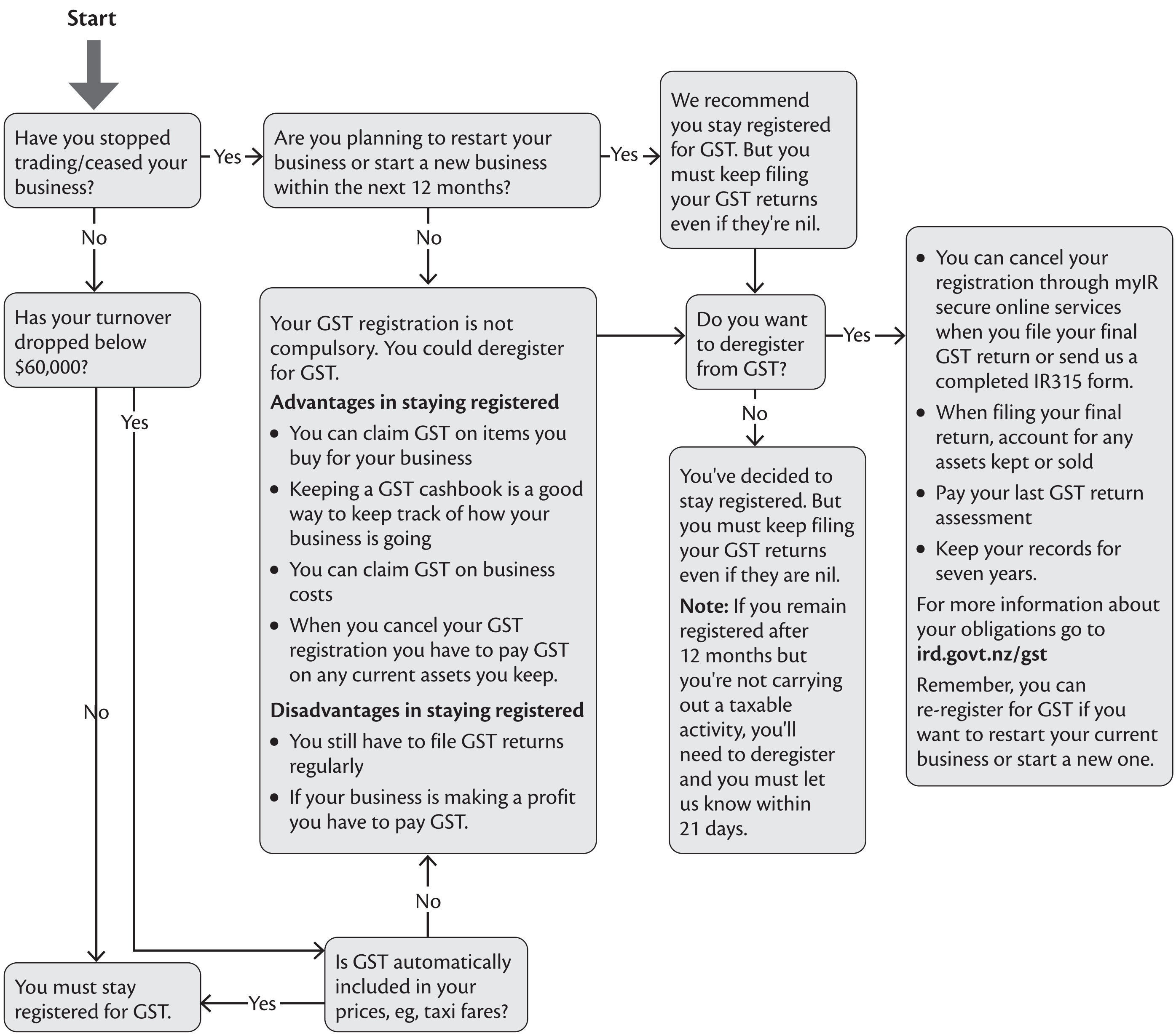
- you're closing down or selling your business
- you expect your turnover to drop below $60,000 - and stay there for a while
- you realise you are not required to be registered.

When you cancel you'll no longer:

- have to charge GST on prices to customers
- be able to issue receipts and invoices showing your GST number
- have to file a GST return
- be able to claim GST back from us.

But, before you get the deregistration process under way, check the flowchart below. You may only have to suspend your GST activities.

Should I deregister from GST?



What you need to do

If you decide to deregister, you must let us know within 21 days of the date you close down or sell your business.

You can cancel your registration through myIR when you file your final GST return (up to your date of cancellation, which may not be the end of your normal taxable period) or send us a completed **Business Cessation - IR315** form.

Remember to account for GST on any business assets you keep. Make a note of these assets and their values on the IR315.

For more information about your obligations go to **ird.govt.nz/gst**

What we'll do

We'll send you notice of your actual cancellation date, which will normally be the last day of a taxable period. This may not be the end of your normal taxable period.

> ***Example***
>
> Martin's next GST return is for the period 1 June to 31 July 2021.
>
> On 5 June 2021 Martin tells us he's sold his business. We tell Martin his cancellation date is 30 June 2021.
>
> Martin completes a final return for the period 1 June to 30 June 2021 which is due on 28 July 2021.

▶ 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** guide.

Part 4 - Adjustments

Adjustments for capital or asset items

You are required to apportion your input tax deductions in line with the actual use of your goods and services. The rules operate as follows:

- The amount of input tax deduction you can claim must correspond with the portion of the asset's use that is intended for taxable purposes.
- In subsequent years, you may be required to adjust the deduction claimed if the actual use for taxable purposes is different from the intended taxable use of the asset.
- There is a maximum number of adjustment periods required based on the value of your goods or services, excluding GST. These are as follows:
  - $5,001 to $10,000 - two adjustments
  - $10,001 to $500,000 - five adjustments
  - $500,001 or more - ten adjustments.

  You may also select the maximum number of adjustments based on the estimated useful life of the asset.
- There is no limit to adjustment periods in relation to land.
- Special "wash-up" rules apply when goods and services that have been subject to the apportionment rules are sold or the person deregisters.
- Special rules apply to the concurrent use of land for taxable and non-taxable purposes.

Adjustments on purchases and expenses

You can claim a deduction of the purchase of goods and services to the extent to which those goods and services are used for making taxable supplies.

You must estimate on acquisition how you intend to use the goods or services and choose a determination method that provides a fair and reasonable result, which will be expressed as a percentage of the total use. The estimate could be made on the basis of any available records, previous experience, business plans or other suitable methods. The method of working out the extent of intended taxable use will largely depend on the nature of the goods and services in question. For example, if the asset is a car which is intended to replace an existing car used in the business, the logbook for the previous car could be a reasonable method of stipulating the intended use of the purchased car provided patterns of use are largely unchanged.

Example

John buys a car for $23,000 (including GST of $3,000) to replace his existing car. The car will be used both in John's business as a sole trader and for private purposes.

The logbook kept by John for his old car shows that in the previous year he used the car 70% of the time for business purposes. Since John does not expect this ratio to substantially change in the future, he estimates that he will use the new car 70% for taxable purposes. Consequently, on acquisition John claims 70% of the available input tax:

$3,000 × 70% = $2,100

These rules aim to achieve as much "first instance" accuracy as possible by requiring taxpayers to make fair and reasonable estimates on the intended taxable and non-taxable uses of acquired goods and services. In an "adjustment period" following the initial input tax deduction claim, you may, however, be required to make further adjustments if the actual taxable use of an asset is different from its intended taxable use.

Exclusions (where no adjustments are required)

de minimis provision

You will not be required to apportion input tax if you make both taxable and exempt supplies and have reasonable grounds to believe the total value of your exempt supplies in the first adjustment period will be no more than the lesser of $90,000 or 5% of the total consideration for all taxable and exempt supplies. This is known as the de minimis provision which relieves you from the obligation to apportion input tax in certain circumstances.

Example

A corner dairy spends $6,000 (exclusive of GST) on renovations. The 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 no more than the lesser of $90,000 or 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.

Value of supply

No subsequent change-in-use adjustment will be required for goods and services acquired for the GST-exclusive value of $5,000 or less.

Example

Sherry, a graphic designer, buys a computer for $3,999 (including GST of $522) to use both for business and private purposes. She estimates she will use the computer 80% for taxable purposes and claims a deduction of $418 (80% of $522).

Since the GST-exclusive value of the computer is less than $5,000, Sherry will not be required to make any adjustments for change in use in any of the subsequent adjustment periods.

Less than 10%

If the percentage of actual use of goods or services differs from the percentage of intended use or previous actual use, you will be required to make an adjustment in an adjustment period only if the difference between the amounts is 10 percentage points or more, or the value of the adjustment is more than $1,000.

Example

Tim buys a new car for $25,000. Tim calculates the GST content (the amount of input tax) as $3,260.87. He calculates this as follows:

$25,000 × 3 ÷ 23 = $3,260.87

Tim predicts he will use the car 60% for taxable purposes and claimed 60% of the input tax. He calculates this as follows:

$3,260.87 × 60% = $1,956.52

First adjustment - after one year

After a year, Tim reviews his business records and notes that he actually used the car in his business 64% of the time. When the percentage of actual use is compared with the estimated use it shows a 4% difference (64% – 60% = 4%).

$3,260.87 × 4% = $130.43

As the 10% threshold has not been exceeded and the monetary value is less than $1,000, Tim is not permitted to make an adjustment in this taxable period.

If Tim had purchased a more expensive car such as a Mercedes valued at $200,000 the calculation would be:

$200,000 × 3 ÷ 23 = $26,086.96 (GST content)

$26,086.96 × 60% = $15,652.18 (percentage of business use)

$26,086.96 × 4% = $1,043.48 (percentage difference)

The 10% threshold has not been exceeded. However, the monetary value is more than $1,000 so Tim is required to make an adjustment in this taxable period of $1,043.48.

Adjustment period

An "adjustment period" is normally 12 months, ending on your balance date. The most common balance date is 1 April to 31 March.

The first adjustment period is a period that starts on the date of acquisition and ends on either:

- the first balance date that falls after the date of acquisition or
- the first balance date that falls after at least 12 months after the date of acquisition.

All subsequent adjustment periods will be done annually, ie, 12 months ending on your balance date.

Example

Mary buys a car on 1 February 2017. Her balance date is 31 March.

Mary can choose when her first adjustment period ends. The options are:

- from 1 February 2017 to 31 March 2017, or
- from 1 February 2017 to 31 March 2018.

If Mary has chosen the first option as her first adjustment period, the second adjustment period will run from 1 April 2017 to 31 March 2018.

If Mary has chosen the second option as her first adjustment period, the second adjustment period will run from 1 April 2018 to 31 March 2019.

As mentioned earlier there are a maximum number of adjustment periods depending on the value of goods or services. However, there is **no limit to adjustment periods in relation to land**.

You must compare the percentage actual use of goods or services with:

- the percentage intended use of the goods or services (if no previous adjustment has been made), or
- the previous actual use (if the goods or services have been subject to a previous adjustment).

Example

Identifying percentage actual use and percentage intended/previous actual use.

Peter acquires a luxury boat for $500,000 plus GST. When he bought it, Peter estimated the boat would be used 100% for chartering - a taxable purpose - and claimed the full input tax deduction. However, in later periods Peter uses the boat partly for private purposes.

Based on the value of the boat, Peter determines there will be five adjustment periods. In those adjustment periods, Peter uses the boat as follows:

- in the first adjustment period - 100% for taxable purposes
- in the second adjustment period - 80% for taxable purposes
- in the third adjustment period - 83% for taxable purposes
- in the fourth adjustment period - 50% for taxable purposes, and
- in the fifth adjustment period - 90% for taxable purposes.

The first adjustment period is a period of six months. All subsequent adjustment periods are periods of 12 months. None of the exclusions apply to this situation.

The question is: what are the use percentages Peter has to compare at the end of each adjustment period?

First adjustment period

Percentage intended use - 100%
Percentage actual use - 100%

Second adjustment period

Previous actual use - 100%

In this adjustment period it was used 80% since acquisition.

(100% × 6 ÷ 18) + (80% × 12 ÷ 18) = 33.3 + 53.33 = 86.6%

Percentage actual use - 86.6%

In the above calculations, figures "6" and "12" represent, respectively, the length of the first and second adjustment periods expressed in months. The figure "18" represents the total number of months since the acquisition of the boat.

Third adjustment period

Previous actual use - 86.6%

In this adjustment period it was used 83% since acquisition.

(100% × 6 ÷ 30) + (80% × 12 ÷ 30) + (83% × 12 ÷ 30)
= 20% + 32% + 33.2% = 85.2%

Percentage actual use - 85.2%

Fourth adjustment period

Previous actual use - 85.2%

In this adjustment period it was used 50% since acquisition.

(100% × 6 ÷ 42) + (80% × 12 ÷ 42) + (83% × 12 ÷ 42)
+ (50% × 12 ÷ 42) = 14.3% + 22.9% + 23.7% + 14.3% = 75.2%

Percentage actual use - 75.2%

Fifth adjustment period

Previous actual use - 75.2%

In this adjustment period it was used 90% since acquisition.

(100% × 6 ÷ 54) + (80% × 12 ÷ 54) + (83% × 12 ÷ 54)
+ (50% × 12 ÷ 54) + (90% × 12 ÷ 54) = 11.1% + 17.8%
+ 18.4% + 11.1% + 20% = 78.4%

Percentage actual use - 78.4%

Peter will be required to account for adjustments to us in the second, third, fourth and fifth adjustment periods because in each of those periods either the percentage difference is more than 10 percentage points or the monetary value of the adjustments is more than $1,000.

The following example pulls everything together and shows typical adjustments over four adjustment periods with the asset being sold in the final adjustment period. This example details the adjustments that are required on disposal of goods and services.

Example

John, a sole trader bought a vehicle for $20,000 plus $3,000 GST. On acquisition, John claimed 70% of the input tax - $2,100. Since the GST-exclusive value of the car falls between $10,001 and $500,000, he has to monitor the use of the car for five adjustment periods.

In the first adjustment period (12 months), John's logbook entries show he used the car 55% for business (taxable use).

In the second adjustment period (12 months), John used the car 65% for business.

In the third adjustment period (12 months), John withdrew the car from use in the business and used it solely for private purposes.

In the fourth adjustment period, John sold the car for $10,000 inclusive of GST.

First adjustment period

At the end of the first adjustment period, John has to determine whether he may rely on the exclusions (minimal exempt supplies) or (the value of the supply) to avoid any change-in-use adjustments. John determines that the exclusion does not apply.

John has to determine whether the use of the car in the first adjustment period corresponds to the intended taxable use of the car as estimated when he bought it. To do this he must compare the percentage actual use of the car with the percentage intended use of the car.

The car logbook John kept showed the taxable use of the car accounted for 55% of its total use. On acquisition, John predicted he would use the car 70% for taxable purposes. Since the difference between the intended taxable use and the actual taxable use is more than 10%, John may not rely on the exclusion and has to make an adjustment for change in use.

John calculates the amount of the deduction he has to return to us as output tax: $3,000 × 15% = $450.

Second adjustment period

For the second adjustment period, the percentage actual use must be calculated from the date of acquisition to the end of the relevant adjustment period. John used the car for taxable purposes 55% in the first adjustment period of 12 months and 65% in the second adjustment period of 12 months. Overall, over two years, John used the car 60% for taxable purposes calculated as follows:

(55% × 12 ÷ 24) + (65% × 12 ÷ 24) = 60%

John needs to compare the percentage actual use with "previous actual use" where an adjustment has been made. For John, the previous actual use will be 55%, as this was the actual use of the car at the end of the first adjustment period. Since the difference between the percentage actual use (60%) and the previous actual use (55%) of the car is less than 10 percentage points, John will not be required to account for the amount of the adjustment if the value of the adjustment is less than $1,000. John calculates the value of the adjustment is less than $1,000 as follows:

$3,000 × 5% = $150 (no adjustment is required).

Third adjustment period

John calculates the percentage actual use of the car after three adjustment periods as follows:

On acquisition John estimated the use of the car as 70%. In the first adjustment period the car was used 55% for taxable purposes. The adjustment period was 12 months. The total number of months since acquisition was 36.	(55% × 12 ÷ 36) = 18.3%
In the second adjustment period the car was used 65% for taxable purposes.	(65% × 12 ÷ 36) = 21.7%
In the third adjustment period the car was used privately with zero business use	(0% × 12 ÷ 36) = 0%
The percentage actual use since acquisition is 40%.	18.3% + 21.7% + 0% = 40%

This percentage has to be compared with the previous actual use. Since John did not make an adjustment in the previous (second) adjustment period, the "previous actual use" will be the percentage actual use in a period that is the most recent period in which an adjustment has been made. John made an adjustment in the first adjustment period when his percentage actual use was 55%. This percentage will become John's previous actual use for the purposes of the adjustment in the third adjustment period. Since the difference between the percentage actual use (40%) and the previous actual use (55%) of the car is more than 10 percentage points, John has to account to us for the over-claimed amount of the deduction. The amount of the output tax to be accounted for is: $3,000 × 15% = $450.

Wash-up rule

When there's a change of use to either total taxable or total non-taxable use, there needs to be a wash-up adjustment made. This should occur when the use changes and remains unchanged for a further full adjustment period and even if the change is within the 10% or $1,000 threshold. This will eliminate the need for continual adjustments.

The wash-up adjustment uses the following calculation:

Full input tax deduction – Actual deduction

Full input tax deduction is the total amount of input tax on the supply, after taking into account any nominal GST component charged (on zero-rated land transactions).

Actual Deduction is the amount of deduction already claimed, taking into account adjustments already made.

Adjustment on disposal

When you dispose of goods or services in the course of a taxable activity and you have not claimed a full input tax deduction you may claim an additional deduction. You'll need to know the:

- "Tax fraction". For the purposes of the 15% GST rate, the tax fraction is 3 ÷ 23.
- "Consideration" is the amount received, or treated as received, for the supply.
- "Actual deduction" is the amount of deduction already claimed, taking into account adjustments made up to the date of disposal.

The amount of deduction available on disposal of goods or services will be calculated under the formula:

tax fraction × consideration × (1 – actual deduction/full input tax deduction)

Example

John, the sole trader in previous examples, has now sold his car.

Fourth adjustment period

In the fourth adjustment period, John sold the car in the course of his taxable activity for $10,000. Because John has not claimed the full deduction for the car, he may claim an additional amount of the adjustment on its disposal calculated as follows:

3 ÷ 23 × $10,000 × (1 – $1,200 ÷ $3,000) = $783

The calculation is broken down as follows:

1. John calculates the GST on the amount received for the car ($10,000 × 3 ÷ 23 = $1,304.34).
2. John then calculates the actual amount claimed ($2,100 less $450 less $450 = $1,200).
3. The original GST on acquisition was $3,000. John has already claimed 40% of the original GST.
4. John then divides the amount claimed by the full amount of input tax that could be claimed ($1,200 ÷ $3,000 = 40%).
5. The amount of $10,000 (100% of the sale) will need to be returned as income. John can claim a "wash-up" of the percentage difference, ie, 60% calculated on the GST received on the sale price of the car (60% × $1,304.34 = $783).
6. John may claim a deduction of $783 for the taxable disposal of the car.

The amount calculated under the formula, when added to any deduction already claimed, must not be more than the total amount of the input tax on the supply (or the nominal GST component, if the supply was zero-rated).

Example: Appreciating asset

Sandy, a property developer, built two similar residential houses, house A and house B, next to each other.

The total input tax on the construction costs that relate to house A is $30,000. Sandy claimed 64.8% of the total input tax - $19,440.

At the beginning of the third adjustment period, Sandy sold the house to Nigel for $320,000 inclusive of GST. Since Sandy has not claimed the full input tax for the construction cost incurred for the property, she may make a final adjustment of the input tax:

$$3 \div 23 \times \$320{,}000 \times (1 - \$19{,}440 \div \$30{,}000) = \$14{,}692$$

The resulting amount of $14,692, when added to the deduction already claimed ($19,440), is more than the total amount of the input tax on the supply ($30,000). So the amount of the adjustment that may be claimed by Sandy will be limited to $10,560.

Example: Depreciating asset

Charles bought a car for $46,000 (inclusive of GST of $6,000) and claimed 70% of the input tax ($4,200). Having used the car for the intended purpose for three years, Charles sells it for $30,000 inclusive of GST. Since Charles has not claimed the full input tax for the car and the car was sold in the course of the taxable activity, he may make a final adjustment of the input tax:

$$3 \div 23 \times \$30{,}000 \times (1 - \$4{,}200 \div \$6{,}000) = \$1{,}174$$

The amount of the adjustment to be claimed for the taxable disposal of the vehicle is $1,174.

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, eg, 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 two 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.

At 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 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, six 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 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 six 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", ie, 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

Adjustment for mixed-use assets

You can claim a deduction when mixed-use assets are acquired, and when you acquire goods or 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 or 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.

A new formula is used to calculate the adjustment for mixed-use expenses. It is similar to the calculation used to determine your deduction for income tax, 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 $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 an adjustment in Box 9 of your GST return, and
- the money received in Box 5 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, eg, a trade-in. You must include this agreed value, plus any money involved, in Box 5 of your GST return.

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 in Box 9 of 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.

Insurance payments received

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

GST shown on New Zealand Customs invoices

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 (ie, 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) do not have to meet all the tax invoice requirements. These documents 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 Box 11 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 **www.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 in Box 13 of the 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 in Box 13 of the GST return for the period you make the GST payment.

Home office expense

It's common for businesses to use an area in the family home for work. If you do this you could claim GST on part of the running costs of your home. You do not have to have an area specifically set aside for business. You must keep full records of all expenses you want to claim.

If there is not a separate area for the business the apportionment will need to take into account criteria such as the amount of time spent on income-earning activities and the area used at home.

No deduction is permitted for any private or domestic expenditure.

Calculate your GST adjustment by working out the percentage of the area you use for work against the total area of your home.

You can claim the adjustment either annually or on a period-by-period basis.

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: • low-interest loans • other financial services • international travel • contributions to employee superannuation and life insurance policies. The result is the fringe benefits liable for GST.
3	Multiply the result from step 2 by 3 then divide by 23. This is the GST adjustment to include in your FBT return. Include this adjustment in: • Box 7 of the quarterly FBT return (IR420) for quarterly filers • Box 6 of the annual FBT return (IR422) for annual filers • 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 nondeductible amount once a year.

You can not claim GST on private entertainment expenses, eg, 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. ***Example*** If your 2020 income tax return is due on 7 July 2020 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: • the date your income tax return is filed, or • 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, eg, non-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 2018 tax year was a business lunch for clients. The lunch cost $230 including GST. The income tax return for the year ending 31 March 2018 is filed on 7 July 2018, and the company files six-monthly GST returns for the periods April and October.

XYZ makes the adjustment in the GST return for the six months ending 31 October 2018. 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. Show this GST adjustment on your **GST adjustment calculation sheet - IR372** under "Entertainment expenses". Transfer the total amount to Box 9 of your GST return for the period ending 31 October 2018.	$100 × 15% = $15.00

> Before 1 April 2018 the GST component was calculated by multiplying by 3 and dividing by 23 (eg, $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. You can not 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%. 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, eg, 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 and put them through the books, 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 can not claim a deduction, because you have not included the GST on the sale in any GST return. 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 can not claim for provision for bad debts.

Example

Brent, who uses the invoice basis, issues Chris with an invoice dated 26 October 2016 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 2017.

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 (eg, 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 six 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

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:

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

Penalty interest

Interest charged on overdue accounts is treated as an exempt supply.

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

> ▶ You do not pay GST on fines and penalties you get for a statutory offence, eg, 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 can not 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 five 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 that property out, a change of use adjustment may be required.

See our *Tax Information Bulletin (TIB)*, Vol 5, No 8 (January 1994) for more information.

Residential accommodation under a head lease

In most cases, if a property is leased as residential accommodation under a head lease, it's an exempt supply. But this rule does not apply if:

- the buyer and seller agree the exemption does not apply
- the supplier has, before 16 May 2000, treated the supply under the lease as being a taxable supply.

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 that sells goods or services through the internet to customers in New Zealand will charge GST at the usual rate.

But, a New Zealand-owned entity that sells 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 that 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.
>
> 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, which are 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 that 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

There are special rules for accounting for supplies which are different from 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 service apartments
- convalescent homes, nursing homes, rest homes or hospice
- camping grounds
- other commercial dwellings.

> 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 two ways.

Four-week rule

Commercial dwellings

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

After four weeks, charge GST only on 60% of the value of the domestic goods or services, usually the right to occupy the premises, which 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 six 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 TAX INVOICE

GST No. 987-654-321

Lauren Hardie
71 John Street
Christchurch

08 April 20XX

28 days (first four weeks) at $104 per night		$2,912.00	
GST (15% of $2,912.00)		$436.80	
			$3,348.80
14 days (after four 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 FAX: (04) 333 6663

This is what Comedy Hotel needs to show in its 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 which should be shown in Box 5.

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, eg, boarding hostels, resthomes

If you and the guest agree the stay is for longer than four 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 in Box 5 of her GST return 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.

Tina should ask us to reassess the return that included the advance payment.

The marketing board may claim a GST credit for the advance payment made, as long as they hold the necessary tax invoice.

If the advance is later repaid, it must be included in the total sales (Box 5). 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.

Price changes (credit and debit notes)

Sometimes, the price of goods or services will change after you've prepared an invoice or made a payment. Here's what you need to do.

Reduction of the agreed price

If you supply goods and services and reduce the price of the supply after issuing an invoice or receiving payment, you must include the amount of the reduction in the taxable period you made it.

This is usually the taxable period when the credit note was issued.

▶ If you've already issued a tax invoice, you must always issue a credit note.

The buyer must include the reduction shown on the credit note in the return for the period covering the time of reduction. This is usually the period when the credit note was received.

Note that if you purchased second-hard goods and the terms are varied (for example a discount being subsequently offered) you will not receive a credit note but you must still include the reduction in the return for the period covering the time of the reduction.

Example

Angela sells cleaning goods to David for $1,000. David pays Angela $900 because some goods were damaged. Angela issues a credit note for $100.

Both David and Angela use the invoice basis.

Angela includes $1,000 in Box 5 (sales). She claims $100 in Box 11 (purchases) in the return covering the time when the reduction was made.

If the invoice and credit note were issued in the same period, Angela could have shown the net amount of $900 in Box 5 instead.

David claims $1,000 in Box 11 (purchases). He includes $100 in Box 5 (sales), in the return covering the time when he made the reduction.

If the invoice and credit note were received in the same period, David could claim the next $900 in Box 11.

Increase of the agreed price

If you supply goods or services and increase the price of the supply after issuing an invoice or receiving payment, you must include the amount of the increase in the taxable period which you made it in. This is usually the taxable period when you issued the debit note.

> If you've already issued a tax invoice, you must issue a debit note for any price increase.

The buyer must include the increase in the return covering the time the increase was made. This is usually the taxable period when the debit note was received.

Example

Mary sells goods worth $1,100 to Keith for $1,000 by mistake. Mary issues a debit note to Keith for $100. Both Mary and Keith use the invoice basis.

Mary includes $1,000 in Box 5 (sales). She includes the extra $100 in Box 5 in the return covering the period the increase was made.

Keith includes $1,000 in Box 11 (purchases). He claims $100 in Box 11 in the return covering the time the increase was made.

Delayed settlement transactions

If you're a GST-registered vendor and you enter into a property transaction with a delayed settlement date, you must account for GST using the invoice basis when the price of the property exceeds $225,000 including GST. You do this for any accounting basis. So, if you're on a payments basis you account for the GST when an invoice is issued or when payment is received, whichever happens earlier settlement is required within a 12-month period.

These exceptions 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 non-profit body 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.

Dishonoured cheques

If a cheque is dishonoured, it's as though the payment was not made and you do not account for it. But, if you've already filed your return and it includes a dishonoured cheque and you use the payments basis, please contact us about correcting it.

If you use the invoice or hybrid basis, you can only make the correction when it's written off as a bad debt.

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 seven days or one 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. The eighth day 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 that covers the first day after the cancellation period (provided you hold a tax 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 the GST 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 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 received - 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 a tax invoice, or
- make a payment, or
- have a payment due.

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 from the Crown or a public authority, is considered to include GST if you're registered for GST. Include the full grant or subsidy in Box 5 of your return.

Example

Helen employs 10 staff. She gets a $200 wage subsidy each week for eight 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 Box 5 of 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 issue a tax invoice. However, if you receive a grant or subsidy, eg, a research grant, from another registered person, they will probably ask you for a tax invoice.

If you pay a grant or subsidy in exchange for taxable supplies, you may request a tax invoice 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, for all accounting bases.

If you buy goods on hire purchase, you may claim a deduction in the taxable period covering the date you enter into the agreement, for all accounting bases.

Example

Kay buys a carpet on hire purchase from Supreme Floorings on 7 June. The cash price is $1,100, which includes GST. The agreement is for 36 monthly payments of $46, totalling $1,656.

Supreme Floorings accounts for the sale on the cash price of the goods ($1,100) in the period covering 7 June. Kay also claims for her purchase on the cash price in the period covering 7 June. The difference of $556 is the finance charge, which is an exempt supply.

Insurance

If you get an insurance payment relating to your taxable activity, you must include the GST content as an adjustment in Box 9 of the return which covers the time you received the payment.

Example

Damien's distilling equipment was damaged by fire on 20 January 2017. An insurance company issued a cheque on 18 March 2017 for $4,500 to cover the damage.

Damien includes $586.95 ($4,500 × 3 ÷ 23) in Box 9 of the return for the taxable period covering 18 March.

You do not need to account for any insurance or compensation payment received for loss of earnings, eg, accident compensation. The insurer will still charge GST on their premiums for this type of cover.

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

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

The insurer will need a tax invoice to deduct any other payments for claims on policies, eg, a payment to a panelbeater for repairs to an insured vehicle.

Insurers can not 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 DVD player on lay-by from The Vision Shop in January 2017. The full price is $560. Sue pays $160 as a deposit, and instalments of $200 in February and March. The DVD player is delivered in April 2017. The Vision 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 Vision Shop in February 2017 and gets a $300 refund. She loses $60 for doing this, which The Vision 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 a tax invoice.

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 a tax invoice.

Local authority rates

Local authorities are the only GST-registered organisations which charge rates. They use the invoice or hybrid basis to account for rates charged in full.

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.

Using the payments basis, local authorities account for all rates payments when they're received, whether they are paid in one instalment or several. 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 a GST credit when you make the payment or receive an invoice, whichever comes first. If you pay rates in instalments, you may claim a credit when each instalment is due or paid, whichever comes first.

For the payments and hybrid basis, you claim a credit for rates when you make payment, if you hold a tax invoice.

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 the principal use of the dwelling is part of the taxable activity. If it is not, the purchaser can not claim for it.

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, eg, 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, eg, 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 body, it's a private transaction between two 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, as in the common definition. It does 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 that a good is composed of gold, silver, or platinum manufactured for sale to the public).

> ▶ Land is secondhand goods.

The same rules for GST and tax invoices 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 will be no tax invoice or GST charged. If the purchaser is GST-registered they can claim a credit for GST purposes.

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 was made or when an invoice was issued, whichever came 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 issue 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 a tax invoice for that instalment.

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, eg, relatives, closely connected associated companies or trusts.

See page 2 for a 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 a GST credit 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 can not 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. Enter this in your return.

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 multipled 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 that 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 two-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. 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:

- in which you make any payment or an invoice is issued (whichever is the earlier), if you are an invoice basis taxpayer; or
- in which, and to the extent, you make payment, if you are a cash basis or hybrid basis taxpayer.

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 Box 5 of 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

You can claim tokens, stamps and vouchers as an expense when you buy them, according to your accounting basis.

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?

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 Tax Credit 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 775 247
Reset your myIR password	0800 227 770
Check your account balances	0800 257 777
Order forms and guides	0800 257 773

If you have a complaint

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

We're open 8am to 8pm Monday to Friday, and 9am to 1pm Saturday. We record all calls.

Our self-service lines are open 7 days a week - except between 5am and 6am each day. They offer a range of automated options, especially if you're enrolled with voice ID.

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 i**rd.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 non-profit body
- 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
- 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.

Tax invoice

An invoice, from the person who supplies the goods or services, which meets the requirements of the GST Act 1985.

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.