Inland Revenue
Te Tari Taake

IR 375
April 2009

GST guide

Working with GST

The information in this booklet is based on current GST laws at the time of printing.

www.ird.govt.nz

Visit our website for services and information.
Go to:

- **Get it done online** to file returns, register for services and access account information
- **Work it out** to calculate tax, entitlements, repayments and due dates and to convert overseas income to New Zealand currency.

How to get our forms and guides

You can view copies of all our forms and guides mentioned in this booklet by going to **www.ird.govt.nz** and selecting "Forms and guides" or you can order copies by calling INFOexpress—see page 77.

Introduction

We've written this guide for all businesses and organisations that have to charge GST and need information about how to do this. We hope you'll find it helpful when filling in your GST returns. It's designed to help you, show you how to avoid incurring penalties and how and when GST is refunded to you.

If you also pay provisional tax, this guide will help you complete your *GST and provisional tax return (GST 103)*.

If you're not familiar with some of the terms that we use please refer to the glossary—see page 81.

You can also get more information by calling one of our toll-free enquiry numbers—see page 77.

If you haven't yet registered for GST, you'll find our booklet *GST – do you need to register? (IR 365)* useful.

> *Note*
>
> If you're thinking of using the ratio option to work out your provisional tax you'll need to refer to our *Provisional tax (IR 289)* booklet.

Changes to note

Late filing penalties on GST returns

From 1 April 2008, if you don't file your GST return (GST 101 or GST 103) by the due date, you may be charged a late filing penalty – see page 33.

Due date for GST returns and payments

From 1 April 2007, the due date for GST returns and payments is the 28th of the month following the end of the return period, except for the periods ending:

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

GST and provisional tax due dates have been combined from the start of the 2008–09 tax year.

New *GST and provisional tax return (GST 103)*

A new *GST and provisional tax return (GST 103)* is available so you can work out and pay your GST and provisional tax at the same time.

How to use this guide

Part 1 – General information

This part briefly outlines your obligations as a GST-registered taxpayer.

Part 2 – Options

There are choices to make about how and when you account for GST. This part explains the options available to you. It also covers the special registration options that are available to some people and organisations.

Part 3 – Paperwork

This part covers the records you need to keep, tax invoices and how to complete your GST return or GST and provisional tax return.

Part 4 – Supplies

This part looks at supplies you may provide as part of your taxable activities. We tell you how and when to account for some special supplies, such as repossessions, door-to-door sales and hire purchase agreements. Exempt and zero-rated supplies are also explained.

Part 5 – Adjustments

This part explores the question of tax adjustments and how to work them out.

Part 6 – Penalties

This part tells you about the penalties and charges if you fail to meet your tax obligations.

Part 7 – Services

This tells you about help and information available from us.

Glossary

The glossary explains many of the words and terms we use in this guide.

Index

Use the index to find where specific points are located in the guide. This will help you to find information quickly.

Contents

Part 5 – Adjustments

Part 6 – Penalties and interest

Part 7 – Services

Part 1 – General information

Goods and services tax (GST) is a tax on the supply of most goods and services in New Zealand. It also applies to imported goods and certain imported services. It is generally charged and accounted for at a rate of 12.5% on all taxable supplies—see page 37.

Persons and organisations who have registered with us collect GST from their customers on behalf of the government. They are also responsible for returning GST on certain services they import from a non-resident supplier who is outside New Zealand. The New Zealand Customs Service administers the collection of GST on imported goods.

When you must register

If you're conducting a taxable activity that makes supplies in New Zealand you **must** register for GST if the following applies to you:

- your annual turnover based on the value of your supplies (including certain imported services you receive) for this month and the last eleven months has exceeded $60,000, or
- your turnover based on the value of your supplies (including certain imported services you receive) for this month and the next eleven months is expected to exceed $60,000, or
- you supply GST and/or services with GST included in your prices, eg taxi drivers who have included 12.5% in their fares.

Note

The compulsory registration threshold is $60,000.

GST registration

If you haven't yet registered for GST make sure you read our booklet *GST–do you need to register? (IR 365)*. It tells you what you need to know before you register for GST. The rest of this guide applies to persons and organisations who have already registered for GST.

Turnover

Turnover is the total value of supplies made (excluding GST) for all your taxable activities.

In a normal business it will be the total value of your sales and income, including any grants or subsidies received, barter transactions and imported services.

If your taxable activity has an annual turnover of less than $60,000 you don't have to register for GST, but you can if you wish.

When you don't charge GST

GST is only charged on taxable activities—see page 84. Taxable activities don't include:

- working for salaries and wages
- hobbies or any private recreational pursuit
- private sales of personal or domestic items
- making exempt supplies—see page 41.

Persons who conduct non-taxable activities are unable to register for or charge GST.

What you need to do

Once you're registered for GST you must:

- keep full records so we can easily check your GST liability—see page 17
- charge GST on all taxable supplies made in your business
- account for GST on taxable supplies made and received
- complete GST returns and pay any tax owing by the due date—see pages 22 to 31
- give tax invoices to other registered persons—see page 17
- tell us about any changes, eg if you no longer meet the criteria for the payments basis.

It is very important that you're aware of what you need to do as a registered person. You could be audited at any time. Failure to meet your obligations may result in penalties being charged —see pages 75 and 76.

Change in status

You must tell us in writing within 21 days of any changes in:

- name (your own name or the name of your business)
- address (your business premises or postal address)
- your organisation's constitution
- the nature of your taxable activity.

Part 2 – Options

As a GST-registered person, your main responsibility to us is to account for GST regularly. This part explains the different ways you can account for GST and how often you do this.

What your options are

The way you account for GST is called your **accounting basis**. There are three bases by which you can account for GST:

- invoice basis
- payments (or cash) basis
- hybrid basis.

This section explains how each of these methods work, how you can change from one to another and who can use each one.

Invoice basis

Using the invoice basis you claim GST when you receive an invoice. Account for GST when you receive an invoice or receive a payment, whichever comes first.

Example

Jenny Wynn-Miles sells a van to Orson Carte, a delivery company, for $18,000 including GST and issues a tax invoice dated 3 January 2007. Both parties use the invoice basis for accounting. Payment is received on 20 February 2007.

Jenny Wynn-Miles accounts for the $2,000 GST ($18,000 ÷ 9) in the taxable period covering 3 January 2007.

Orson Carte claims GST in the taxable period covering 3 January 2007.

The invoice basis is similar to the accrual basis of accounting in that adjustments are made at the end of the period for creditors and debtors.

If you use a cashbook or bank statements to record business transactions, you'll also have to keep lists of debtors and creditors at the end of each period. This is because you'll have to account for items where you've received or issued an invoice, but which don't appear in your cashbook because you haven't paid or been paid for the supplies.

Who can use the invoice basis

The invoice basis may be used by any registered person.

Advantages of the invoice basis

You may claim for GST incurred on purchases before making payment (except for secondhand goods).

Disadvantage of the invoice basis

You may have to account for GST before actually receiving payment.

Note

In most cases you need to hold a tax invoice if you wish to claim a tax credit—see page 17.

Payments (or cash) basis

If you use the payments basis you account for GST in the taxable period in which you make or receive payment. This is why it is sometimes called the cash basis.

Example

Pip Iris sells paper supplies for $270 to Readon-Write on 10 January 2009 and issues a tax invoice on the same day.

Readon-Write makes a payment of $135 on 14 February 2009 and another payment of $135 on 5 March 2007.

Pip uses the payments basis, so she accounts for $15 GST ($135 ÷ 9) in the period covering 14 February 2009 and for $15 GST in the period covering 5 March 2009.

Readon-Write uses the invoice basis so they claim a credit for GST in the period covering 10 January 2009.

Who can use the payments basis

The payments basis may be used by any registered person if either of these criteria apply.

- The total value of taxable supplies for the last 12 months was $2 million or less, or
- The total value of taxable supplies is not likely to exceed $2 million in any period of 12 months beginning on the first day of any month.

However, we may, on written application, allow you to use the payments basis if you expect to exceed $2 million in any 12-month period. We'll take into account:

- the nature, value and volume of taxable supplies, and
- the type of accounting systems used.

Example

A retailer accounting for purchases and sales on a cash basis, with a high volume of sales at a low unit price, and a turnover higher than $2 million may be allowed to use the payments basis.

Non-profit bodies can use the payments basis, even if they don't meet any of these criteria.

Local authorities listed in an Order in Council will also be allowed to use the payments basis.

Note

A registered person who operates as part of a group or a branch, must add together the taxable supplies of all members or branches to get the total turnover. Non-profit bodies don't have to do this—see page 12.

Delayed settlement transactions

If you're on the payments basis and as vendor, enter into a delayed settlement transaction where the value of the supply exceeds $225,000 (including GST), you may be required to account on an invoice basis for that supply—see page 47.

Advantages of the payments basis

The payments basis is suitable for small businesses who use a cash system. Cashbooks can be easily used to account for GST. For an example of how to use a cashbook in completing your GST return —see page 34.

You usually only account for GST when payment is received from the customer. This is to your benefit if you give lengthy periods of credit.

Disadvantages of the payments basis

You can only claim for GST incurred on purchases or expenses after making payment to the supplier.

Depending on the transaction, you may be subject to the rules concerning delayed settlement transactions.

Hybrid basis

The hybrid basis can be used by any registered person who requests it. It is a combination of the invoice basis and payments basis. If you choose the hybrid basis you account for GST on your sales (income) using the invoice basis and claim GST on your expenses (purchases) using the payments basis.

Example

Gifford Oggerboan sells pet food to Bess Tinchoe, a dog breeder, on 19 January 2007 for $2,700 and issues a tax invoice on the same day.

Bess Tinchoe pays $1,350 on 20 February 2007 and $1,350 on 20 March 2007.

Gifford Oggerboan and Bess Tinchoe both use the hybrid basis.

- Gifford accounts for $300 GST ($2,700 ÷ 9) in the taxable period covering 19 January 2007
- Bess claims $150 GST ($1,350 ÷ 9) in each of the taxable periods covering 20 February and 20 March 2007.

Like the invoice basis, you need to keep a list of debtors at the end of the period to account for items which don't appear in your cashbook. However, no adjustment is needed for creditors.

The table below is a summary of the three accounting bases.

Taxable supplies in any 12-month period	Accounting basis		
	Invoice	Payments	Hybrid
Up to $2 million	Yes	Yes	Yes
Over $2 million	Yes	No	Yes

Changing your accounting basis

You would have chosen an accounting basis that best suited you when you registered for GST.

If you didn't make a choice, you'd have automatically been given the invoice basis.

When you can change

You can apply to us in writing to change your accounting basis at any time.

If we approve your application we'll send a letter telling you when to start using your new accounting basis.

When you must change

If you use the payments basis and your turnover goes over the $2 million limit, you must tell us in writing within 21 days. See "Who can use the payments basis" on page 8.

However, you may keep using the payments basis if the increased turnover is caused by either:

- selling or replacing any plant or asset, or
- reducing the scale of your taxable activity.

Adjustments

If you change your accounting basis, you must make adjustments in your last return before you make that change. This ensures that you pay or claim the right amount of GST. A letter from us confirming your change of accounting basis will tell you the adjustments you need to make.

How often do you account for GST (taxable periods)

Once you're GST-registered, you're required to file GST returns on a regular basis. You'd have chosen one of the following taxable periods when you registered:

- one-month
- two-month
- six-month.

If you didn't make a choice you'd have automatically been given a two-month taxable period.

If you balance your accounts within seven days before or after the end of a taxable period, you may apply to have your taxable periods end on that day, if that would be more convenient for you. Your application must be in writing.

Example

Paula Royd Photography has six-month taxable periods, ending in February and August. They balance their books on the last Friday of every month.

They may apply to have taxable periods ending on the last Friday in February and the last Friday in August.

This section explains how each of the taxable periods work, how you can change your taxable period and who can use each one.

Who can use the one-month taxable period

Any registered person may apply to us for a one-month taxable period. This may suit you if you're likely to receive GST refunds regularly, or you find it easier to deal with your GST return every month.

Any registered person whose taxable supplies exceed (or are likely to exceed) $24 million in any 12 months must have a one-month taxable period. If your taxable supplies exceed the $24 million threshold, and you aren't using a one-month taxable period, you must write and tell us within 21 days.

If the business operates in a group, or in branches, the taxable supplies of all members or branches must be added together to get the total taxable supplies. Non-profit bodies don't have to do this —see page 12.

If you want to use a one-month taxable period, you must apply to us in writing. We'll write and tell you when to start filing monthly returns.

Who can use the two-month taxable period

This is the standard taxable period. When applying for registration, people are automatically given a two-month taxable period, unless they request otherwise, or they are required to use a one-month period.

You may apply in writing to change to a two-month taxable period, unless you're required to use a one-month period. We'll write and tell you the date of your first two-month return.

Different categories

There are two categories for the two-month taxable period:

Category A – periods ending on the last day of January, March, May, July, September and November.

Category B – periods ending on the last day of February, April, June, August, October and December.

If you're registered for GST and liable for provisional tax, from the beginning of your 2008–09 tax year, your taxable period must be aligned to your balance date.

If you aren't liable for provisional tax you can choose which of the two categories you wish to be in. If you find that your compliance costs are higher because of your taxable period category, you may apply to us in writing to change it. If we approve your application we'll reply with the decision and the changeover date.

Who can use the six-month taxable period

Only small businesses may adopt a six-monthly return period. You're eligible if the total value of your taxable supplies:

– hasn't exceeded $500,000 in the last 12 months, or
– is unlikely to exceed $500,000 in the next 12 months.

You must apply to us in writing to be allocated a six-month taxable period. If you're registered for GST and liable for provisional tax, your taxable period must align with your balance date. If you aren't liable for provisional tax, you're able to select the months in which the taxable period ends. We'll let you know when your first six-month period begins.

This option lessens the workload for small businesses who would otherwise have to file returns every two months.

If you have a six-month taxable period and your turnover goes over the $500,000 limit, you must advise us in writing within 21 days.

Example

Watsford Inagh has a six-month taxable period and arranges to supply goods worth $500,000 to Sam 'n' Ella's Takeaways over the next year.

Watsford Inagh must let us know that their turnover in the next 12 months is likely to exceed $500,000.

However, we may, on written application, allow registered persons to remain on a six-monthly return period if their turnover exceeds $500,000 and they meet the following criteria:

– they have a good history of accurate and timely filing and payment of GST
– they have satisfactory record keeping practices
– their turnover is subject to seasonal or low volumes or high-value cashflow peaks.

If a registered person has a one or two-monthly return period, and their turnover exceeds $500,000, we may allow them to adopt a six-monthly return period, provided they:

– meet the criteria mentioned on this page, and
– are experiencing significant additional compliance costs by having to provide more frequent returns. Their previous entitlement to a six-monthly return period is also taken into account.

Please read *Tax Information Bulletin (TIB)*, Vol 13, No 12 (December 2001) for more information.

Special circumstances

Sometimes, special circumstances increase a person's turnover beyond a threshold point. However, this won't mean a change in taxable period if the special circumstances are the sale of plant or other capital assets when:

– ceasing any taxable activity, or
– substantially and permanently reducing the scale of any taxable activity, or
– the plant or assets are being replaced.

Example

Sam Wedges' lunch bar has a six-month taxable period and a $480,000 turnover. He sells one of his vans on 15 March 2010 for $30,000.

Turnover for the 12 months ended 31 March 2010 is now over $500,000. He would normally have to apply for a two-month taxable period. However, as the higher turnover is due to a one-off sale, he may keep using a six-month period.

The table below is a summary of the three taxable periods.

Turnover in any 12-month period	Taxable period available (months)		
	One	Two	Six
Up to $500,000	Yes	Yes	Yes
$500,000 – $24 million	Yes	Yes	No
Over $24 million	Yes	No	No

Changing your taxable period

If you wish to change your taxable period you must apply to us in writing. We'll write and tell you when to start filing using your new taxable period.

> *Note*
>
> If you apply for a change in your taxable period, you must continue to file the returns issued to you until the changes have been approved and you've been notified.

Registration of branches or divisions

This special registration option is available to businesses that operate in branches or divisions.

Any registered person, such as individuals, clubs, companies or non-profit bodies may register branches or divisions of the business separately. If a registered person has several taxable activities, only those carried on in branches or divisions may be considered for separate registration.

If you operate your business in separate branches you must add the turnover for all branches together to decide whether you need to register.

Non-profit bodies can consider each division's turnover separately and only register those above the threshold. However, they can register all branches voluntarily.

Criteria for separate registration

If a branch or division wants to register separately, it must maintain its own accounting system and either:

- be in a separate location, or
- carry out different activities.

You must apply to us in writing to register any branch or division separately.

Effects of separate registration

Each separately registered branch or division is treated as a registered entity in its own right, carrying on its own taxable activity. It isn't considered part of the parent body for GST purposes. However, it has to keep the same taxable period and accounting basis as the parent body. It must stay registered until cancelled by the parent body or until the parent body's registration is cancelled.

Supplies of goods and services between branches, and between branches and the parent body are fully taxable. Each branch must issue and keep the necessary tax invoices, keep its own accounting records and file returns to account for GST. Each branch or division registered separately will have its own IRD number.

Separate registrations and GST and provisional tax returns

If you've more than one branch registered separately for GST, and you're liable to pay provisional tax, one branch must be responsible for completing the GST and provisional tax return.

We'll send this combined return to the branch where you first registered for GST. If you'd like to change the branch which receives the GST and provisional tax return please contact us—see page 77.

Cancelling separate registration

At any time, the parent body may cancel the separate registration of any branches. To do this, the parent body must apply to us in writing.

After cancellation, the parent body must account for GST and be responsible for all other requirements for the branch's taxable activity.

If the parent body's registration is cancelled, the separate registrations of the branches will also be cancelled.

Registration of non-profit bodies

For GST purposes a non-profit body is any society, association or organisation that isn't carried on for the profit or gain of any member, and whose rules prevent the distribution of money or property to any of its members, proprietors or shareholders.

Most charitable organisations, sports clubs, service organisations, churches, marae, social clubs, school committees and parent teacher associations are non-profit bodies.

Non-profit bodies have a special registration option available.

A non-profit body may apply in writing to us to treat each branch and division separately. Those with supplies above the $60,000 threshold must register. Those below the threshold may still register if they are carrying on a taxable activity, but aren't required to.

Each branch or division must maintain its own accounting system and either:

- be in a separate location, or
- carry out different activities.

If your non-profit body is considering voluntary registration, you need to be aware of possible disadvantages.

- You must account for GST on assets kept after ceasing to be registered.
- Accounting for GST becomes difficult if non-taxable supplies are involved or assets are used for private and business purposes. See Part 5 – Adjustments for more information.
- There may be problems if the person who normally does the returns for the organisation is no longer available.

Group registration of companies

Group registration is another special option available.

Companies that form a group for income tax purposes may choose to group for GST purposes as well. You'll need written approval from us. To apply, fill in a *Goods and services tax application for group registration (IR 374)* form—see page 14.

Criteria for group registration

Groups for companies only

The first condition is that two or more companies are a group of companies and have common:

- voting interests of at least 66% between companies
- market value interests of at least 66% between companies.

The second condition is:

- each of the companies is a registered person
- the total value of taxable supplies made by the companies is equal to, or greater than 75% of the total supplies made by the group to persons outside the group.

Both conditions must be met for the entire duration of the group registration.

Groups of persons

Any of the following may apply:

- one person controls each of the other members
- one person controls all the other members
- two or more persons, carrying on a taxable activity in partnership, control all of the members.

In addition to the above criteria companies that aren't registered for GST are now able to join a group registration of companies if the total value of taxable supplies made by the companies, in any 12-month period, to persons other than the companies, is at least 75% of the total value of supplies made by the companies to other taxpayers.

The effects of group registration

The main effects for companies electing to group for GST purposes are as follows.

- If the members choose, transactions between them won't generally be liable for GST, provided that the receiver of the supply would have been able to claim a GST credit if it had come from outside the group. This rule doesn't apply to imported services supplied by a non-resident member of a group to a New Zealand resident member of a group. Special valuation rules apply to imported services.
- One member must be nominated to represent the group and that member must be a GST-registered person.
- The representative member is considered to conduct the activities of all the members.
- The representative member must account for GST on all the members' taxable activities and file returns.
- We will send all notices to the representative member.
- All members of the group must adopt the same taxable period and the same accounting basis for GST.
- Individual members don't have to make returns or account for GST, but they keep the final responsibility to account for it.
- Individual members making supplies outside the group must (when requested) issue tax invoices with their own registration number.
- All members of the group must keep records.
- All members of the group remain liable for GST payable by the representative member both as a group and as individuals.

Group changes

The group must make sure that each member remains eligible for group membership. For example, if a company's shareholding changes, it may no longer qualify to be a member of the group.

A member who is no longer eligible (or the representative) must write to us within 21 days. We'll cancel the company's membership and send a notice stating the date it ceased.

Options

Inland Revenue
Te Tari Taake

IR 374
June 2007

Goods and services tax application for group registration

- **Please read the group registration information in our *GST guide (IR 375)* before completing this form. You can get this from www.ird.govt.nz or by calling INFOexpress on 0800 257 773.**
- **Answer all the questions and make sure you sign the declaration.**

1. What is the full name of the member nominated to represent the group? ABBEY DESIGN LIMITED

2. What is the representative member's GST registration number? (8 digit numbers start in the second box. 1 2 3 4 5 6 7 8) 9 9 9 8 8 8 7 7 7

3. From what date will grouping begin? 01 10 2007
Day Month Year

4. Print the street address of the representative member's place of business (don't show a box number). 212 (
Street add
Newt
Suburb or

5. Print your usual postal address if it's different from the street address. PO B
Street add
Newt
Suburb, R

If you use a tax agent to prepare your GST returns don't show their address here. Please ask them to give us the address for your GST mail.

6. Print contact telephone number(s). (04) 3
Business

7. Eligibility for group registration

- Groups of companies only
  The group must meet the eligibility requirem
  Both of these situations must apply:
  (i) Are there common voting interests o
  (ii) Are there common market value inte
- Groups of persons
  Any of the following may apply:
  (i) Does one person control each of the
  (ii) Does one person control all the othe
  (iii) Do two or more persons, carrying on
  control all of the members?

8. Show the group's GST accounting basis. (Tick o

9. How often does the group want to file GST retur
If the group's combined total taxable supplies a
any twelve-month period, the group must have a
If the group's combined total taxable supplies are
may choose a six-monthly filing frequency.

10. Controlling member's information

List the names and IRD numbers of the member(s) or person(s) who control(s) the group.
In the percentage column show:
– the lesser of the common voting or market value interest for a group of companies, or
– the control percentage for a group of persons.

Name	%	IRD number
ABBEY DESIGN LIMITED		999 888 777

11. List the names and registration numbers of members to be included in the group.

Name	Registration number
SUNNY FASHIONWEAR LIMITED	999 888 777
MOLLY DESIGNERS	

If you selected a filing frequency at Question 9 that would require a change of filing frequency for any member of the group, or if a change is required due to the combined turnover, we will treat this application as a written request to change the filing frequency.

If, due to the combined turnover, the group doesn't qualify for the option selected at Question 9, the group will be given

- a one-monthly filing frequency if the total taxable supplies exceed $24 million, or
- a two-monthly filing frequency if the total taxable supplies are greater than $250,000 and up to $24 million.

12. Declaration

Name of authorised person: ALAN DONALD

Designation/title: DIRECTOR

Indicate whether proprietor, partner, director, manager, secretary, executive office holder or authorised person.

I declare that the information given on this form is true and correct.

Signature: A Donald

Date: 02/ 09 /2007

Send the completed form to one of the following addresses

If you live in:

Northland	**Auckland**	**other North Island areas**	**the South Island**
Inland Revenue PO Box 3753 Christchurch Mail Centre Christchurch 8140	Inland Revenue PO Box 761 Waikato Mail Centre Hamilton 3240	Inland Revenue PO Box 39010 Wellington Mail Centre Lower Hutt 5045	Inland Revenue PO Box 3753 Christchurch Mail Centre Christchurch 8140

Privacy Act 1993. We may exchange information about you with other government departments or their contracted agencies. You may ask to see the personal information we hold about you by calling us on 0800 377 774. Unless we have a lawful reason for withholding the information, we will show it to you and correct any errors.

The representative member may apply at any time to make any of the following changes:

- add another member
- remove a member
- change the representative member
- cancel the group status.

Companies in a group must add the value of all their taxable supplies together to work out the total turnover for:

- cancelling registration
- adopting or maintaining a six-monthly taxable period
- adopting or maintaining the payments basis of accounting
- adopting a one-month taxable period.

Group registration for other registered persons

Registered persons who aren't companies may also form a group if:

- one of them controls each of the others, or
- one person controls them all, or
- two or more persons carrying on a taxable activity in partnership control them.

The test is one of common legal control, which we must be satisfied exists before we send a written notice approving the formation of the group. If you wish to form a group, or need more information, call us on 0800 377 776.

Registration of personal representatives, liquidators, receivers and mortgagees-in-possession

Special rules apply when a registered person:

- dies
- becomes incapacitated
- goes into receivership, liquidation or bankruptcy.

The person who takes over part or all of the taxable activity on behalf of the registered person is treated as though they are personally carrying on the activity and are GST-registered. This applies from the time the person is entitled to act as an agent. They must tell us within 21 days of the appointment. See page 19 under "Tax invoices issued by agents".

A specified agent won't be personally liable for any liability incurred on (as well as before) the date of commencement of the agency period.

The appointment of a specified agent won't affect the membership of a group of registered companies.

An agency period will end when a specified agent no longer carries on the taxable activity whether as a liquidator, receiver or both.

GST cancellation

Your GST registration may be cancelled if you cease all taxable activities, or you can satisfy us that your turnover for the next 12 months will be less than $60,000.

How do you cancel your GST registration?

To cancel your registration please call us on 0800 377 776. There are certain responsibilities you must follow. We need to be satisfied that you won't be conducting a taxable activity within the next 12 months.

If we cancel your registration, we'll send you a notice of your actual cancellation date. It will be the last day of a taxable period.

Responsibilities on ceasing to be registered

If you cancel your GST registration, but you keep assets from your business, you must account for GST on the value of those assets in your final return. See page 66 for how to do this.

Generally, records must be kept for seven years, except when a company is officially wound up or dissolved.

After you cancel your registration, you must still meet all the GST responsibilities and requirements incurred while you were registered. You'll be required to file returns until the approved cancellation date.

Example

Collette O'Dea has been registered since 1 October 1986. She applied for cancellation on 3 July 2010. We approved the request, effective from 31 July 2010. On 1 September 2010, an Inland Revenue investigator discovered that she did not correctly account for GST in the return to 31 May 2010. She's still liable for any underpaid GST and penalties, even though she's no longer registered.

Ceasing GST and provisional tax

If you're liable to pay provisional tax and cease your GST registration, your provisional tax due dates will change if you were registered for GST 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 (IR 289)*.

Part 3 – Paperwork

Record keeping

You must keep sufficient records so that we can verify your GST liability. You must hold these records in New Zealand, in English, for seven years unless you get written permission from us to do otherwise.

For GST purposes, your records may include:

- books of account (on paper or computer)
- till tapes
- receipts
- tax invoices
- credit and debit notes
- bank statements
- invoices
- motor vehicle logbooks
- stock-on-hand records
- vouchers
- lists of debtors and creditors if the accounting basis has been changed
- charts and codes of account
- any other documents that verify transactions or entries in any books of account
- accounting instruction manuals
- system and program documentation which describes the accounting system
- records of internal charges from offshore parties
- invoices from overseas suppliers
- details related to imported services.

It's an offence not to keep proper records and penalties may be charged—see page 75 for more information.

Tax invoices

A tax invoice is a notice of an obligation which includes the GST on the goods and services provided.

If you supply goods and services to another registered person, you must provide a tax invoice within 28 days of the purchaser asking for one. Not to supply one after such a request is an offence and you may be charged penalties.

Tax invoices must be in New Zealand currency.

Duplicate tax invoices

A registered person can only issue one original tax invoice for each taxable supply. If the purchaser loses the invoice, the supplier may issue a copy. It must be clearly marked "copy only".

Tax invoice requirements

The information required in a tax invoice depends on the value of the goods and/or services supplied. This part explains the different requirements of invoices and provides some examples.

Supplies of more than $1,000

For supplies of more than $1,000 (including GST), the tax invoice must clearly show:

- the words "tax invoice" in a prominent place
- the name (or trade name) and GST number of the supplier
- the name and address of the recipient of the supply
- the date the invoice was issued
- a description of the goods and/or services supplied
- the quantity or volume of the goods and/or services supplied, eg litres of petrol, hours of labour or kilos of potatoes.

It must also have either:

- the amount, excluding tax charged for the supply, the GST and the total amount payable for the supply, or
- a statement that GST is included in the final price if it has been.

If the invoice covers a number of supplies which add up to more than $1,000, all the details listed above are needed.

Shared tax invoices

A shared tax invoice is a single invoice for goods and/or services from multiple suppliers. Two or more suppliers may issue a single invoice to the same customer if:

- They have statutory obligations which make it practical to use a single invoice, and/or
- They are part of the same group of companies

A shared tax invoice must contain the same information as a tax invoice from a single supplier for supplies exceeding $1,000. As the invoice is from multiple parties, only the principal supplier's name and GST registration number needs to be displayed. The principal supplier is:

- The supplier responsible for issuing the invoice, or
- The representative member of a group of companies.

Example: Tax invoice for supplies worth more than $1,000

ABC ELECTRONICS LIMITED

Main Street
WELLINGTON

PO Box 99 999
WELLINGTON

Phone: (04) 999 9999
Fax: (04) 988 8889

TAX INVOICE

GST number 998-765-432

To: Wyatt Firsound
712 John Street
WELLINGTON

Date: 08 May 2007

Quantity	Description of goods and services	Unit price	Total
4	Video camera	$1,200	$4,800
	Plus goods and services tax		$600
	Total amount due		$5,400

Name and address of the supplier

The words "tax invoice"

Supplier's GST registration number

Date of issue

Name and address of the recipient

Description of the goods and services supplied

Amount, excluding tax, charged for the supply

Quantity of the goods supplied

GST charged

Total amount payable

Supplies of between $50 and $1,000

For supplies between $50 and $1,000 (including GST), a simplified tax invoice is acceptable.
It must clearly show:

- the words "tax invoice" in a prominent place
- the name and GST number of the supplier
- the date the tax invoice was issued
- a description of the goods and/or services supplied
- the total amount payable for the supply and a statement that GST is included.

> *Note*
>
> If you don't have a tax invoice, you can't claim a credit on supplies over $50.

Supplies of $50 or less

A tax invoice isn't needed for supplies of $50 or less (including GST). However, we suggest that you keep records (eg invoices, vouchers or receipts) for these purchases. As a minimum, record the date, description, cost and supplier of all purchases.

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

Buyer-created tax invoices

Sometimes the value of a supply is determined by the person who receives the goods.

Example: Buyer-created tax invoice

Matt O'Dawe Ltd

Private Bag
MASTERTON

TAX INVOICE
GST Number 99-444-222

Date: 08 May 2007
Carrier: Laurie van Ute Ltd

Buyer creater tax invoice
Inland Revenue approved

To: Buff O'Barome
Homonda Range
Pouto

GST No: 909-876-543

Particulars: 61 SHEEP — Drafted by: JK
On account of: Matt O'Dawe Ltd — Date killed: 01 May 2007
Proceeds to: MONEY BANK, POUTO — A/C 9999999-99

Grade	Weight Range	C/Cs	Kg.	Price	Amount
MX	TO 22.0	22	400.5	66.00	264.83
MX	22.5 UP	4	91.0	70.00	63.70
ML	TO 22.0	3	61.5	65.00	39.98
ML	22.5 UP	4	94.0	69.00	64.86
MH		2	55.5	29.00	16.10
MF		1	29.0	25.00	7.25
MM		11	161.0	63.00	101.43
PROCESSING		9	147.0	33.00	48.51
CONDEMNED NC		5			0.00

• DOWNGRADE CAUSES		• CONDEMNED CAUSES	
WINDS AND BRUISES	3	CND ARTHRITIS	2
ARTHRITIS	2	CND NEOPLASMS	1
SARCOYSTS	3	CND CAS LYMPH	2
CASEOUS LYMPH	1		

		61	1,039.5	606.16
Add	WOOL PULL	22	@ $.860 (0.20KGS)	128.92
Credits	WOOL PULL	39	@ $6.780 (0.50KGS)	264.42
				999.50
		GST	@ 12.5%	124.93
			TOTAL PROCEEDS	1,124.43
Deductions				
CARTAGE		61	@ $1.500	91.50
FED FARM LEVY		56	@ $0.0175	0.98
PORT WORK CHGS		1,039.5	@ $0.0270	28.07
INSPECTOR FEES		61	@ $0.260	15.86
MEAT BOARD LEVY		56	@ $0.290	16.24
COND CHARGE		5	@ $3.750	18.75
PROCUREMENT		61	@ $0.450	27.45
PROCESSING CHGE		56	@ $10.780	603.68

Av. Weight:	19.56	SUBTOTAL	802.53
Av. Price:	5.19 GROSS	GST @ 12.5%	100.31
	3.23 NET	TOTAL DEDUCTIONS	902.84
		NET CREDIT	**221.59**

Phone: (06) 555 6666 Fax: (06) 555 6667 Main Road, Masterton

Who can use buyer-created tax invoices

For some industries it's more convenient for the recipient to determine the amount to be charged for a supply rather than the supplier. Freezing works, for example, issue tax invoices to farmers who supply stock. The freezing works weigh, slaughter, and price the animals, as well as determine other costs like levies. They are best able to provide the necessary information on the invoice and will issue a buyer-created invoice.

You can only issue buyer-created invoices if we've given you approval to do so. To get the necessary approval, you must apply to us in writing. If you don't meet our standards for invoices, we can cancel our approval at any time.

Conditions of a buyer-created invoice

A buyer-created tax invoice can be issued under the following conditions:

- both the recipient and the supplier are registered persons
- they have agreed that only the recipient will supply the tax invoice
- both the supplier and the recipient keep a copy of the invoice
- the tax invoice shows:
  - the supplier's GST number (if both parties are providing supplies, show both GST numbers)
  - 12.5% GST added to gross supply
  - 12.5% GST added to deductions or charges (GST credits)
  - the words "Buyer-created tax invoice—IRD approved".

The recipient can use this buyer-created tax invoice to support a claim for the GST paid.

Tax invoices issued by agents

Sometimes an agent buys or sells goods and services on behalf of someone else (the principal). The principal is still the buyer or seller, not the agent.

If both the principal and agent are registered persons, the agent may issue a tax invoice (or debit or credit note) on behalf of the principal. The tax invoice need only be issued in the name of the agent and there is no need for the agent to put the principal's name on the tax invoice. The principal can't issue a tax invoice for that same supply as well.

If the agent receives the supply it's treated as though it's made to the principal and not the agent. However, an agent can ask the supplier for a tax invoice as though the supply had been made to the agent.

Agents must keep a record of the name, address and GST number of the principal in any transaction.

Employee as an agent

An employee can act as an agent for their employer. They may incur expenses on their employer's behalf as part of the taxable activity. The employer can reimburse the employee and claim the GST credit. The tax invoice must show the name and address of the employee acting as agent for the employer.

If the employer pays the employee an allowance to reimburse them for expenses, the employer can't claim any GST credit for the allowance.

See page 49 for special rules relating to agents acting on behalf of non-residents.

Multiple supplies

A tax invoice may contain details of more than one supply. A common example would be the leasing of commercial premises.

While each supply on an invoice must be separately identified, there's no need to show the GST for each supply separately—a total of all supplies will do.

Example: Tax invoice for multiple supplies

Foreshore Properties Limited

TAX INVOICE

Private Bag
PETONE

GST No. 912-345-678

Date:	13 OCTOBER 2007
To:	FAYE KANTZE TEMPING AGENCY MAIN ROAD PETONE

Rent on the premises at Main Road, Petone for the month ending October 2007, and for each successive month up to and including 31 December 2008.

Payment due on the twentieth (20th) day of each month commencing 20 October 2007.

$1,200 per month including goods and services tax.

Total for 15 months: $18,000 including GST.

Imported services

From 1 January 2005, the recipient of an imported service won't hold a tax invoice for the imported service. Therefore, a tax invoice isn't required to claim a GST credit for GST returned on the value of an imported service.

The recipient must have included the GST in a return covering the taxable period in which the imported services were invoiced or paid.

Imported services – supplies by third parties

From 1 January 2005, recipients of imported services are required to maintain sufficient records to establish the correct value on which GST should be charged. The following information is required:

- the name and address of the supplier
- the date on which, or the period during which, the supply was received
- a description of the services supplied
- the consideration for the supply, and
- the time by which payment of the consideration for the supply is due, and
- the amount of any salary or wages and interest excluded from the consideration for the supply.

An invoice or other supporting documentation, such as a supply contract or record of payments made, may be used to establish the value on which GST is to be returned on an imported service.

Imported services – supplies between related parties

From 1 January 2005, imported services supplied between related persons are valued at cost if payment is allowed as a deduction for income tax. In other circumstances, the value of the supply is its market value. In determining market value, we'll accept charges calculated and evaluated in accordance with the income tax transfer pricing guidelines—see *Tax Information Bulletin* Vol 12, No 10 (October 2000).

For more information on the documentation required for supplies between related parties, see the GST guidelines for recipients of imported services at www.ird.govt.nz

Credit notes

Credit notes are issued by a supplier when the price for a supply is reduced after a tax invoice was issued, eg when faulty goods are returned.

Credit notes must show:

- the words "credit note" in a prominent place
- the name (or trade name) and GST number of the supplier
- the name and address of the recipient
- the date the credit note was issued
- a brief explanation of why the credit note was issued.

They must also have either:

- the GST-inclusive price shown on the tax invoice with the correct GST-inclusive amount payable and the difference between the two amounts of GST charged on the difference, or
- the difference between the incorrect and correct amounts, and a statement that the difference includes GST (only if it is 12.5%).

As with tax invoices, only one credit note can be issued. If a copy is needed, it must be clearly marked "copy only".

When the amount payable is reduced, you'll need to make an adjustment in your GST return. See page 45 for the details.

Debit notes

Debit notes are issued by a supplier when the price is increased after a tax invoice was issued.

Debit notes must show:

- the words "debit note" in a prominent place
- the name or (trade name) and GST number of the supplier
- the name and address of the recipient
- the date the debit note was issued
- a brief explanation of why the debit note was issued.

They must also have either:

- the GST-inclusive price shown on the tax invoice with the correct GST-inclusive amount payable and the difference between the two amounts of GST charged on the difference, or
- the difference between the incorrect and correct amounts, and a statement that the difference includes GST (only if it is 12.5%).

If a copy of the debit note is issued, it must be clearly marked "copy only".

When the amount payable is increased, you'll need to make an adjustment in your GST return. See page 45 for the details.

Paperwork

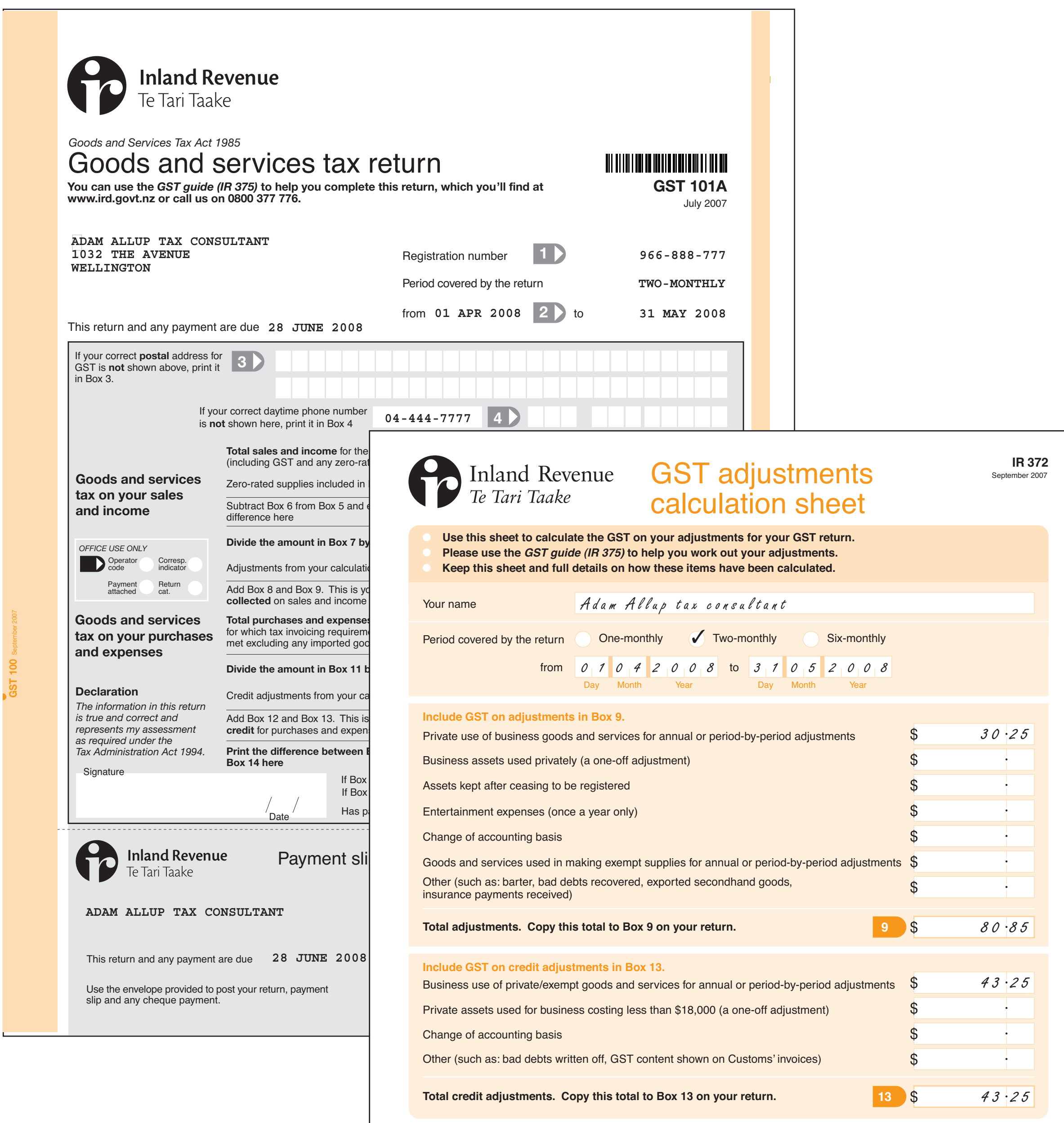
Completing your GST return

We'll send your return to your postal address during the final week of your taxable period. If you need a *GST adjustments calculation sheet (IR 372)* you can get it from our website or by calling INFOexpress —see page 77. You can also file you return online. Go to www.ird.govt.nz and select "get it done online."

The IR 372 calculation sheet is designed to help you record your GST adjustments (see an example of this sheet below and on page 55). Don't send the calculation sheet to us, keep this for your records. Keep full details of how items were calculated.

Your return should have your details printed in the top panel. These details include your GST number, the period covered by the return, the due date, your mailing address and your daytime phone number. If the correct details aren't shown, print them in Boxes 3 and 4. If you are sending in a return that doesn't have your details and return period preprinted, please make sure that you fill in these details correctly.

It's important that it's your phone number and address that appears on the return and not that of your agent.


Inland Revenue
Te Tari Taake

Goods and Services Tax Act 1985

Goods and services tax return

You can use the *GST guide (IR 375)* to help you complete this return, which you'll find at www.ird.govt.nz or call us on 0800 377 776.

GST 101A
July 2007

ADAM ALLUP TAX CONSULTANT
1032 THE AVENUE
WELLINGTON

Registration number 1 966-888-777
Period covered by the return TWO-MONTHLY
from 01 APR 2008 2 to 31 MAY 2008

This return and any payment are due 28 JUNE 2008

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 04-444-7777 4

Goods and services tax on your sales and income

Total sales and income for the (including GST and any zero-rat
Zero-rated supplies included in
Subtract Box 6 from Box 5 and difference here
Divide the amount in Box 7 by
Adjustments from your calculati
Add Box 8 and Box 9. This is yo **collected** on sales and income

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

Goods and services tax on your purchases and expenses

Total purchases and expenses for which tax invoicing requirem met excluding any imported goo
Divide the amount in Box 11 b
Credit adjustments from your ca
Add Box 12 and Box 13. This is **credit** for purchases and expen
Print the difference between B Box 14 here

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

Signature
Date / /
If Box
If Box
Has p

GST 100 September 2007

Inland Revenue
Te Tari Taake
Payment sli

ADAM ALLUP TAX CONSULTANT

This return and any payment are due 28 JUNE 2008

Use the envelope provided to post your return, payment slip and any cheque payment.

Inland Revenue
Te Tari Taake

GST adjustments calculation sheet

IR 372
September 2007

- **Use this sheet to calculate the GST on your adjustments for your GST return.**
- **Please use the *GST guide (IR 375)* to help you work out your adjustments.**
- **Keep this sheet and full details on how these items have been calculated.**

Your name: Adam Allup tax consultant

Period covered by the return: One-monthly ✓ Two-monthly Six-monthly

from 01 04 2008 to 31 05 2008 (Day Month Year)

Include GST on adjustments in Box 9.

Private use of business goods and services for annual or period-by-period adjustments	$ 30·25
Business assets used privately (a one-off adjustment)	$ ·
Assets kept after ceasing to be registered	$ ·
Entertainment expenses (once a year only)	$ ·
Change of accounting basis	$ ·
Goods and services used in making exempt supplies for annual or period-by-period adjustments	$ ·
Other (such as: barter, bad debts recovered, exported secondhand goods, insurance payments received)	$ ·
Total adjustments. Copy this total to Box 9 on your return. 9	$ 80·85

Include GST on credit adjustments in Box 13.

Business use of private/exempt goods and services for annual or period-by-period adjustments	$ 43·25
Private assets used for business costing less than $18,000 (a one-off adjustment)	$ ·
Change of accounting basis	$ ·
Other (such as: bad debts written off, GST content shown on Customs' invoices)	$ ·
Total credit adjustments. Copy this total to Box 13 on your return. 13	$ 43·25

GST on sales and income

- If you use the invoice or hybrid basis, add up all the payments received and invoices issued for taxable supplies you made in the taxable period.
- If you use the payments basis, add up all the payments you received during the period for the taxable supplies you made.

> *Note*
>
> Account for cheques, credit cards, EFTPOS transactions and cash when you receive them, even if you haven't banked them at the end of your taxable period.

These rules will cover most of the supplies that you make. However, for exceptions please see page 41.

Print your total sales and income in Box 5, including total imported services with the addition of GST. If your total in Box 5 includes any zero-rated supplies, print the total of the zero-rated supplies in Box 6. Exporters are the people most likely to have zero-rated supplies. For more information on zero-rated supplies see page 37.

Divide Box 7 by nine. This will give you the total GST included in your sales for the period. Print your answer in Box 8.

Box 9 is for GST adjustments to be added in with GST on sales or income. Use a *GST adjustments calculation sheet (IR 372)*—see page 55. Copy the total to Box 9 on your return. Only show the GST content of these adjustments.

For more information on adjustments, see Part 5 – Adjustments.

GST on purchases and expenses

This part of the return is for you to claim the GST included in the cost of your purchases and expenses for the taxable period.

- If you use the invoice basis, add up the amount of all the purchases and expenses that include GST in the taxable period. You must hold the necessary tax invoices or details for supplies of $50 or less.
- If you use the payments or hybrid basis, add up all the payments you made for purchases or expenses that include GST during the taxable period for which you hold the necessary tax invoices or details for supplies of $50 or less.

Print your total purchases and expenses in Box 11, including any purchases of imported services. You don't need a tax invoice to claim a GST credit for GST on imported services. However, you must be able to show that you've accounted for GST on any imported services you've received and are entitled to claim the GST on the imported services.

Divide Box 11 by nine. This will give you the total amount of GST included in your purchases. Print your answer in Box 12.

Box 13 is for credit adjustments that are added in with the GST paid on purchases and expenses. Use a *GST adjustments calculation sheet (IR 372)* to add up all the credit adjustments, and copy the total to Box 13. Only show the GST content of these adjustments. See Part 5 – Adjustments for more information.

Late claim of GST

If you can't claim GST now (eg no tax invoice), you can claim it in a future period. From 1 April 2005, you can only claim your GST late on expenditure incurred in the previous two years. Exceptions to this two-year rule include:

– inability to obtain tax invoice
– disputed payments for expenditure
– mistakenly treating a supply as non-taxable
– clear mistakes or simple oversights.

Paperwork

Inland Revenue
Te Tari Taake

Goods and Services Tax Act 1985

Goods and services tax return

You can use the *GST guide (IR 375)* to help you complete this return, which you'll find at www.ird.govt.nz or call us on 0800 377 776.

GST 101A
July 2007

ADAM ALLUP TAX CONSULTANT
1032 THE AVENUE
WELLINGTON

Registration number **1** 966-888-777

Period covered by the return TWO-MONTHLY

from 01 APR 2008 **2** to 31 MAY 2008

This return and any payment are due 28 JUNE 2008

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 04-444-7777 **4**
Area code Phone number

Goods and services tax on your sales and income

Total sales and income for the period (including GST and any zero-rated supplies)	5	$ 86973.33
Zero-rated supplies included in Box 5	6	$
Subtract Box 6 from Box 5 and enter the difference here	7	$ 86973.33
Divide the amount in Box 7 by nine (9)	8	$ 9663.70
Adjustments from your calculation sheet	9	$ 808.50
Add Box 8 and Box 9. This is your **total GST collected** on sales and income	10	$ 10472.20

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

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	$ 26349.30
Divide the amount in Box 11 by nine (9)	12	$ 2927.70
Credit adjustments from your calculation sheet	13	$ 432.50
Add Box 12 and Box 13. This is your **total GST credit** for purchases and expenses	14	$ 3360.20
Print the difference between Box 10 and Box 14 here	15	$ 7112.00

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

Signature A Allup
26/06/08
Date

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

(Tick one)
Refund
GST to pay ✔

Has payment been made electronically? Yes No

GST 100 September 2007

Inland Revenue
Te Tari Taake

Payment slip

GST 700

Registration number 966-888-777

ADAM ALLUP TAX CONSULTANT

Return for the period ending 31 MAY 2008

This return and any payment are due 28 JUNE 2008

Amount of payment $ 7112.00

Use the envelope provided to post your return, payment slip and any cheque payment.

Copy your total from Box 15 and enter it here. Include any late payment penalties for this period only.

Working out your GST

Now that you've calculated the GST on sales and income (Box 10), and purchases and expenses (Box 14), you need to work out the difference. Print the answer in Box 15.

If the amount in Box 10 is larger than the amount in Box 14, the difference is GST to pay. If the amount in Box 14 is larger than the amount in Box 10, the difference is GST to be refunded.

If you're a GST 101A filer with GST to pay, you'll need to print the amount of your payment on the payment slip. In most cases this will simply mean copying the figure from Box 15. However, if you're paying late and are including the late payment penalty and interest for this period, print the total payment on the payment slip.

Inland Revenue
Te Tari Taake

GST adjustments calculation sheet

IR 372
September 2007

- **Use this sheet to calculate the GST on your adjustments for your GST return.**
- **Please use the GST guide (IR 375) to help you work out your adjustments.**
- **Keep this sheet and full details on how these items have been calculated.**

Your name: Adam Allup tax consultant

Period covered by the return: One-monthly ✔ Two-monthly Six-monthly

from 01 (Day) 04 (Month) 2008 (Year) to 31 (Day) 05 (Month) 2008 (Year)

Include GST on adjustments in Box 9.

Private use of business goods and services for annual or period-by-period adjustments		$ 30·25
Business assets used privately (a one-off adjustment)		$ ·
Assets kept after ceasing to be registered		$ ·
Entertainment expenses (once a year only)		$ ·
Change of accounting basis		$ ·
Goods and services used in making exempt supplies for annual or period-by-period adjustments		$ ·
Other (such as: barter, bad debts recovered, exported secondhand goods, insurance payments received)		$ ·
Total adjustments. Copy this total to Box 9 on your return.	9	$ 80·85

Include GST on credit adjustments in Box 13.

Business use of private/exempt goods and services for annual or period-by-period adjustments		$ 43·25
Private assets used for business costing less than $18,000 (a one-off adjustment)		$ ·
Change of accounting basis		$ ·
Other (such as: bad debts written off, GST content shown on Customs' invoices)		$ ·
Total credit adjustments. Copy this total to Box 13 on your return.	13	$ 43·25

Completing your GST and provisional tax return

Please note – If you aren't liable for provisional tax, this section isn't relevant to you. Go to "What to do next" on page 31.

If you pay GST and are liable for provisional tax, you'll receive a new combined GST and provisional tax return (GST 103) from the start of your 2008–09 tax year. This return will be tailored to your circumstances and you'll only see the sections relevant to you.

Page 1 is the GST section of the return. The only difference between this and previous GST returns is that the payment slip is now on the other side of your return. For instructions on completing page 1 of your GST 103 return, refer to page 22.

Page 1 of the GST 103

Inland Revenue
Te Tari Taake

Goods and Services Tax Act 1985
Income Tax Act 2004

GST and provisional tax return

You can use the *GST guide (IR 375)* to help you complete this return or call us on 0800 377 776.

GST 103
April 2007

Registration number **1**

Period covered by the return

from **2** to

This return and any payment are 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	$
Divide the amount in Box 7 by nine (9)	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	$
Divide the amount in Box 11 by nine (9)	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	$

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

(Tick one)
Refund
GST to pay

Please turn over to complete provisional tax and payment slip

Tailored return

The GST and provisional tax return we send you has been tailored to your circumstances. Page 2 relates to your provisional tax. Certain boxes will be displayed, depending on whether you use the ratio option to calculate your provisional tax and whether a compulsory provisional tax payment is due.

In the example below the top section of the return has been blanked out because this scenario is for a provisional tax payer using the standard or estimation options for calculating provisional tax.

Page 2 of the GST 103, for customers using the standard or estimation option to pay provisional tax in a compulsory provisional tax payment period.

Part 2 – Provisional tax calculation when using the ratio option

Boxes 16 to 23 are not required for this return, please go to Box 24

Part 3 – Payment calculation

Provisional tax instalment due (copy from your income tax statement or notice of assessment)	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

GST 970

Inland Revenue
Te Tari Taake

Payment slip

Registration number

Return for the period ending

This return and any payment are due

Amount of payment $.

Use the envelope provided to post your return, payment slip and any cheque payment.

Copy your total from Box 28 to here and include any late payment penalties for this period only.

Provisional tax using the ratio option

If you've elected to use the ratio option for provisional tax you'll calculate your provisional tax payment on your GST and provisional tax return.

Follow the steps from 16 to 22. Multiply the amount in Box 22 by your ratio percentage. Put the answer in Box 23.

Paperwork

Page 2 of the GST 103, untailored version.

Part 2 – Provisional tax calculation when using the ratio option

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

	Box	
Enter **total sales and income** from Box 5 on page 1	16	$
Do you file GST returns monthly? If so enter **total sales and income** (Box 5) from your previous month's return, otherwise enter zero (0)	17	$
Add Box 16 and Box 17	18	$
Do you file GST returns for more than one branch or division? If so enter **total sales and income** (from Box 5) from all other branches/divisions, otherwise enter zero (0). (Remember to include amounts from the previous month if the other branches file one-monthly)	19	$
Add Box 18 and Box 19	20	$
If you've sold an asset in the last two months, you can make an **adjustment for the asset's worth**, if it's over $1,000, or it's over 5% of your total taxable supplies in the last 12 months, whichever is greater. Enter the amount here, otherwise enter zero (0)	21	$
Subtract Box 21 from Box 20	22	$
Multiply the amount in Box 22 by your **ratio percentage** (this is printed on your notification letter). This is your provisional tax instalment due—copy this amount to Box 24	23	$

Enter your ratio % (from your notification letter)

Part 3 – Payment calculation

	Box	
Compulsory provisional tax period – Provisional tax instalment due **or** **Voluntary provisional tax period** – Total voluntary amount you would like to make	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

GST 970

Inland Revenue
Te Tari Taake

Payment slip

Registration number

Return for the period ending

This return and any payment are due

Amount of payment $

Use the envelope provided to post your return, payment slip and any cheque payment.

Copy your total from Box 28 to here and include any late payment penalties for this period only.

Transfer GST sales from page 1

To work out what your provisional tax payment will be using the ratio option, transfer your total sales and income for the period from Box 5 on page 1 to Box 16 on page 2.

One-monthly GST filers

There are six instalments of provisional tax using the ratio option. This means you calculate your provisional tax instalment on every second GST and provisional tax return. Your GST and provisional tax return will show you if it is a compulsory payment period or not.

If there is a provisional tax instalment due with this month's GST return, you need to include last month's sales in Box 17. Please check your records for last month's GST sales.

It's important to file your monthly return by the due date. This will ensure you can calculate the ratio correctly and you'll avoid a late filing penalty.

More than one GST registration

"Registration of branches or divisions" on page 12 states customers can have multiple GST registrations for the same entity.

A company can be a member of a consolidated group for income tax purposes. A consolidated group is where one income tax return is filed on behalf of multiple companies and each company files its own GST returns. Consolidated groups can also use the ratio option.

If you have more than one branch/company and the other branch(es)/company(ies) file GST returns monthly, you must include the GST sales for the other branch(es)/company(ies) for this month and last month's returns.

Disposal of an asset

If you've sold an asset you can make an adjustment for the asset's worth. This will reduce the amount of your total GST supplies by an amount equal to the asset sale for the purposes of calculating provisional tax only.

The criteria for making an asset adjustment are:

- The asset is not revenue account property.
- The value of the asset is the greater of
  - an amount equal to 5% of the total taxable supplies in the last 12 months, or
  - $1,000.

For the purpose of calculating the ratio percentage in future years, the amount will also be subtracted from the total GST sales at the end of the year.

For taxpayers using the payments basis, the amount claimable is limited to the amount that must be declared as income over the two-month period for the asset.

Where do I find my ratio percentage?

Your ratio percentage will be sent to you and preprinted on your GST and provisional tax return.

Provisional tax using the standard or estimation option

If you use the standard or estimation options for provisional tax there are several places to find your provisional tax payment.

If you have an agent you should contact your agent to determine your provisional tax payment.

If you don't use an agent:

- you'll have received a letter to let you know that the payment is due and the amount of the payment.
- your notice of assessment for the last income tax year or any statement of account for income tax for the current year will also show the amount due at each instalment.

If you use the estimation option and would like to re-estimate your provisional tax please complete a *Provisional tax estimation (IR 309)* form. You can complete this form online at www.ird.govt.nz or to order a copy, call INFOexpress on 0800 257 773.

If this period is a compulsory payment period, please enter the amount of provisional tax due in Box 24.

Paperwork

Payment calculation

Part 3 on page 2 of the GST 103, for customers in a compulsory provisional tax payment period using the standard or estimate option.

Part 3 – Payment calculation

Provisional tax instalment due (copy from your income tax statement or notice of assessment)	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

Compulsory periods

If Box 24 of your GST and provisional tax return shows "provisional tax instalment due", it means it is a compulsory provisional tax payment period. A provisional tax payment is due with this return.

Voluntary periods

If your GST and provisional tax return shows a voluntary period, you have the opportunity to make a voluntary provisional tax payment.

If you wish to spread out your payments you can make voluntary provisional tax instalments on your GST and provisional tax return. It's important to remember any voluntary payments you've made, when determining the amount to pay at compulsory periods.

If the return shows a voluntary payment period, and you wish to make a voluntary payment please put this in Box 24.

Transferring GST refunds to provisional tax

If you've worked out that you'll receive a refund in Box 15, you can choose to transfer this credit to provisional tax. Enter the amount you wish to transfer to provisional tax in Box 25.

Example

Tom runs a landscaping business. He's liable for provisional tax and is registered for GST. Tom uses the standard option for provisional tax. He also files GST returns two-monthly.

Tom's residual income tax for the 2007–08 tax year was $3,000.

Tom's provisional tax is

$3,000 + 5%	$3,150
$3,150 divided by 3	$1,050

Tom completes his GST and works out that he'll receive a $500 refund.

His first instalment of provisional tax is due with his GST and provisional tax return.

Tom now completes the second page of his return.

He puts the amount of provisional tax to pay in Box 24	$1,050
He asks for the whole GST refund to be transferred to provisional tax in Box 25	$ 500

Tom subtracts Box 25 from Box 24

	$1,050
	- $ 500
	$ 550

Tom enters this amount in Box 26.

Combined GST and provisional tax payments

If you've GST to pay in Box 15 of your return, put this figure in Box 27. Add Box 26 and 27. This is the total payment due.

What to do next

Read the declaration and sign the return as being true and correct. Send the completed return and payment slip to us. You can make a copy for your own records.

Note

You must still file your GST return even if the result is a nil balance. This means you didn't have any sales and income or purchases and expenses for the taxable period.

Electronic filing

Electronic filing allows you to file your GST returns to us over a secure internet connection. The system helps to detect any errors in your return and comes up with error messages which are simple to understand. You can also use the online edit function to correct any mistakes before sending your return. You still need to keep a signed copy of the return for seven years. For more information on electronic filing—see page 78.

You don't have to register for this service, just go to www.ird.govt.nz and use the Online services.

Note

If you haven't received your GST return, you can file online, download a paper return from our website (see pages 2 and 78) or you can call us on 0800 377 776 and we'll send you a return.

GST to pay

You have until the due date shown on your return to get the form and payment to us. The due date is the 28th of the month following the return period. There are two exceptions to this.

If your GST return period ends on:

- 30 November, it will be due on 15 January of the next year
- 31 March, it 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.

How to make payments

You can make payments electronically through your bank, by cheque or at most branches of Westpac.

Electronic payments are automatic payment, direct credit and online banking. Major banks offer a service for making payments to us which ensures that sufficient payment reference details are included with your payment. If your bank doesn't offer this service you can pay using their standard online service but you need to ensure we have all the details for us to credit your payment to your account.

You can post us a cheque on the last day for payment and it will still be on time as long as it's postmarked with the due date. Please:

- make your cheque payable to "Inland Revenue"
- cross it "Not transferable", and
- post it with the payment slip in the envelope provided.

Note: Do not send cash.

You can also make your payment by cash, cheque or eftpos at most branches of Westpac. Please take your preprinted payment slip with you so the teller has all the information to process your payment.

For more information about all payment methods, see our booklet *Making payments (IR 584)*.

Example

Particulars	987654321	Your IRD number
Payee code	000 TAX GST	Payee code must be 000 space TAX space GST
Reference	31032009	Your GST return period end date with no spaces or dashes

These are preprinted on your GST return.

GST and provisional tax payment

Example

Particulars	987654321	Your IRD number
Payee code	000 TAX GAP	Payee code must be 000 space TAX space GAP
Reference	31032009	Your GST return period end date with no spaces or dashes

Late payments

We will charge you interest if you don't make your tax payment by the due date. We will also charge you a late payment penalty if you miss a payment, but if you have a good payment history with us we may contact you before we do this.

Otherwise, we will charge an initial 1% late payment penalty on the day after the due date. We will charge a further 4% penalty if there is still an amount of unpaid tax (including penalties) seven days after the due date.

Paperwork

Every month the amount owing remains unpaid after the due date a further 1% incremental penalty will be charged.

Interest and late payment penalties are not charged on outstanding amounts of $100 or less.

Arrangements

If you're unable to pay your tax by the due date, please call us. We'll look at your payment options which may include an instalment arrangement, depending on your circumstances. Arrangements can be agreed upon before or after the due date for payment. However, there are greater reductions in the penalties charged if the arrangement is made before the due date.

If you're paying late, please include any penalty and interest with your payment. Print your total payment (including the penalty and interest) in the Amount of payment box on the payment slip of your return.

For more help

More information about penalties and interest is available in our booklet *Taxpayer obligations, interest and penalties (IR 240)*.

Note

The interest rate of 14.24% is the current rate at the time of printing. The interest rate is set by Order in Council and can vary throughout the year. For the up-to-date interest rate please call us—see page 77.

Example

$1,500 GST was due on 30 November 2007 and was paid on 10 February 2008. Late payment penalty is charged—as shown below. Interest is also charged on a daily basis on the outstanding balance.

Date	Penalty	Total
1 December 2007	$15.00 ($1,500 × 1%)	$1,515.00
8 December 2007	$60.60 ($1,515 × 4%)	$1,575.60
1 January 2008	$15.76 ($1,575.60 × 1%)	$1,591.36
1 February 2008	$15.91 ($1,591.36 × 1%)	$1,607.27

GST refunds

We'll refund GST to you if:

- the GST you've paid is greater than the GST you've collected, or
- you change your accounting basis and we find that you've paid too much GST.

We can withhold payment of a refund to you in some situations.

- A refund, or part of a refund, may be used to pay any other taxes you owe, eg PAYE deductions or income tax (see "Transfer of refunds" opposite).
- If you haven't filed a return for any taxable period, we may hold your refund until you send the overdue return.
- If we aren't satisfied with your return we won't release your refund until we've checked any problems.

In these cases, an investigator will contact you to seek clarification on how your refund is being calculated.

If your refund is under $1, you'll only receive a cheque if you apply in writing within six months after you send us your return. If you don't do this, the credit will be rolled forward to the next period and will be offset against future tax or included in a larger refund.

Payment of refunds

We usually send out refunds within 15 working days of receiving a correct return.

You can have your GST refunds direct credited to your bank account. To do this, fill in a *Fast refunds (IR 587)* form.

Transfer of refunds

If you'd like your refund offset against your provisional tax obligation request this on your GST 103—see page 28. No further information will be required.

If you'd like your refund transferred to another account or to arrears that are being paid off by an instalment arrangement instead of being refunded, you'll need to include a note with your return requesting the transfer.

Information we require

Your note should include the following information:

- that the transfer is for arrears currently under an instalment arrangement
- the name and IRD number to whom the transfer should be made

- whether the taxpayer is an "associated person" (see page 81)
- the tax type and period
- the date you would like the transfer to occur.

Interest on refunds

We pay interest on refunds and overpayments of GST. Interest is calculated using the following formula:

$$\frac{A \times B \times C}{365}$$

In this formula:

A is the number of days for which interest is to be paid
B is the amount of the refund
C is the specified rate of interest.

The specified rate of interest is set by Order in Council. At the time of printing it is 6.66%.

We'll pay interest on amounts over $100.

Interest is paid on all GST refunds and is calculated from the latest of these days:

- the 16th working day after the return is filed, or the day after the due date for filing the return, whichever comes first, or
- the day after the return is filed, or
- the day following any overpayment.

Example

Harmony Rhodes sent in her return and payment on 28 October 2008. She made a calculation error and overpaid her GST by $8,500.

The interest is calculated from the latest of these days:

- the earlier of the day after the 15th working day after the return is filed (19 November) or the day after the due date for filing the return (29 October 2008)
- the day after the day the GST return is filed (29 October)
- the day after the overpayment is made (29 October).

Interest is calculated from 29 October 2008.
The overpaid GST was refunded on 6 November, which is eight days later.
Interest is calculated as follows:

$$\frac{8 \text{ (days)} \times \$8{,}500 \times 6.66\%}{365} = \$12.40$$

Nil balances

You **must still send your GST return to us** even if it works out to be a nil balance (no refund or tax to pay).

Late filing penalty

By law you must file your GST returns on time. From 1 April 2008, if you don't file your GST return (GST 101 or GST 103) by the due date, you may have to pay a late filing penalty.

The late filing penalty is:

- $50 for each late GST return on the payments accounting basis
- $250 for each late GST return on the invoice or hybrid basis.

We'll send you a statement advising you of the late filing penalty and the due date for paying it. Late payment penalties and interest are also charged on late filing penalties which aren't paid by the due date.

Default assessment

If you're required to file a return and you haven't done so, we estimate the amount of tax we think you should pay. This estimate is called a **"default assessment"**.

This estimated amount remains payable until you file your overdue return. Even if you pay the default assessment amount, you still have to file the overdue return.

When you send us your completed return, we'll replace the default assessment with the actual assessment worked out from your return.

You will have to pay any tax owing from your actual assessment, including any penalties and interest that apply.

If you don't think you need to complete the return, call us (see page 77) so we can discuss the matter with you.

If we don't hear from you we'll start a process to collect the default assessment amount. If you don't do anything we may prosecute you.

Penalties and interest may be charged on any overdue amounts.

See pages 75 to 76 for more information on penalties and offences.

What happens if you make a payment, but don't file your return

If you make a payment for GST but don't file your return, you may be charged a late filing penalty and a default assessment may also be raised for the period. Please note, if a default assessment is raised you are still required to file the GST return. The payment will be credited against the sum of the default assessment and late filing penalty.

Paperwork

> **Note**
>
> If you make a combined payment for GST and provisional tax but don't file your return, you may be charged a late filing penalty and a default assessment may also be raised for the period. Please note, if a default assessment is raised you are still required to file the GST return. The payment will be credited against the sum of the default assessment and late filing penalty.

If you've made a combined payment, but you haven't yet completed your return and wish to transfer part of the payment to provisional tax please call us —see page 77.

Cashbook for the payments basis

If you're using the payments basis of accounting you'll find the cashbook a very easy and convenient system for accounting for your GST.

Before you can start filling in your GST return you should first reconcile your cashbook with your bank statement. This simply means balancing your bank statement against the amounts of money you have paid or received.

Working out GST on sales

Step 1 Total your cashbook columns.
Step 2 Transfer the GST totals in your cashbook to Box 8 in your GST return.
Step 3 Multiply the figure in Box 8 by nine.

This will give you the total sales amount. Print this figure in Box 5.

Working out GST on purchases

Follow the steps as for sales but put your total GST on purchases into Box 12 in your return. Multiply this figure by nine and print your answer in Box 11.

Calculate any adjustments, for example, private use of a business car or use of a home for business purposes. For more information on adjustments see Part 5.

If you're having difficulty reconciling your cashbook and bank statement, your accountant or bank should be able to help you. If you need help to complete your return, please call us—see page 77.

> **Note**
>
> You must hold a tax invoice for purchases over $50.

CASHBOOK

Cash receipts

DATE	REFERENCE	BANK	GST	SALES	GRANTS	FUNDS INTRODUCED	INTEREST			SUNDRY
3 June	Customer (sale)	2,000 00	222 22	1,777 78						
5 June	Government (grant)	450 00	50 00		400 00					
7 June	Sale of oven (fixed asset)	1,125 00	125 00							1,000 00
14 June	Partner	200 00	—			200 00				
21 June	Interest	15 33	—				15 33			
25 June	Customer (sale)	2,250 00	250 00	2,000 00						
	TOTALS	6,040 33	647 22	3,777 78	400 00	200 00	15 33			1,000 00

STEP 1

Cash payments

DATE	REFERENCE	CHQ	BANK	GST	PURCHASES	WAGES	COMMERCIAL RENT	MOTOR VEHICLE	LOAN REPAYMENT	PRIVATE DRAWINGS	SUNDRY
3 June	S. Tock Ltd (purchase)	100	3,500 00	388 89	3,111 11						
5 June	H. Elp (wages)	101	650 00	—		650 00					
7 June	Landlord (rent)	102	750 00	83 33			666 67				
14 June	Petrol Co	103	50 00	5 56				44 44			
21 June	P. Artner	104	400 00	—						400 00	
25 June	GST paid to IRD	105	310 98	—							310 98
	Bank fees	DD	10 25	—							10 25
	I. Ease P/ship	AP	800 00	—					800 00		
	TOTALS		6,471 78	477 22	3,111 11	650 00	200 67	44 44	800 00	~~400 00~~	321 23

STEP 1

Inland Revenue
Te Tari Taake

Goods and Services Tax Act 1985

Goods and services tax return

You can use the *GST guide (IR 375)* to help you complete this return, which you'll find at www.ird.govt.nz or call us on 0800 377 776.

GST 101A
July 2007

KAY TERING FOOD SUPPLIES
PO BOX 553337
WELLINGTON

Registration number **1** 966-888-999

Period covered by the return TWO-MONTHLY

from 01 APR 2008 **2** to 31 MAY 2008

This return and any payment are due 28 JUNE 2008

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 04-444-6666 **4**

Area code | Phone number

Goods and services tax on your sales and income

Total sales and income for the period (including GST and any zero-rated supplies)	5	$ 5824.98
Zero-rated supplies included in Box 5	6	$
Subtract Box 6 from Box 5 and enter the difference here	7	$ 5824.98
Divide the amount in Box 7 by nine (9)	8	$ 647.22
Adjustments from your calculation sheet	9	$
Add Box 8 and Box 9. This is your **total GST collected** on sales and income	10	$ 647.22

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

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	$ 4300.02
Divide the amount in Box 11 by nine (9)	12	$ 477.78
Credit adjustments from your calculation sheet	13	$
Add Box 12 and Box 13. This is your **total GST credit** for purchases and expenses	14	$ 477.78
Print the difference between Box 10 and Box 14 here	15	$ 169.44

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

Signature K. Tering

26/06/08
Date

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

(Tick one)
Refund
GST to pay ✔

Has payment been made electronically? Yes No

GST 700

Inland Revenue
Te Tari Taake

Payment slip

KAY TERING FOOD SUPPLIES

Registration number 966-888-999

Return for the period ending 31 MAY 2008

This return and any payment are due 28 JUNE 2008

Amount of payment $ 169.44

Use the envelope provided to post your return, payment slip and any cheque payment.

Copy your total from Box 15 and enter it here. Include any late payment penalties for this period only.

GST 100 September 2007

Paperwork

Assessment and declaration

Self-assessment

For GST periods starting on or after 1 April 2005, you're required to assess your own GST liability as part of meeting your return filing obligations.

Self-assessment is discussed in more detail in *Tax Information Bulletin* (*TIB*) Vol 13, No 11 (November 2001).

Declaration

You must make sure that you complete the declaration. If you leave out any details, there will be a delay in processing your return and in sending any refund due to you.

The declaration must be completed by a responsible person:

- for a one-person business, the business owner
- for a partnership, a partner
- for a trust, a trustee
- for a company or incorporated society, a director or statutory officer
- for a statutory corporation, an authorised person
- for an unincorporated club or society, an executive committee member
- for a joint venture, a member of the joint venture
- for an estate, an executor
- for a public or local authority, an office holder or anyone who has been authorised by any of the above.

The declaration wording in the GST return is:

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

The wording caters for self-assessment. In particular, it's clear that your return contains a notice of your self-assessment. We may amend your assessment if a correction is required to it.

Disputing an assessment

You can dispute all or any part you consider to be incorrect by issuing a notice of proposed adjustment (NOPA)—see the information at the back of the notice under "If you disagree". You must do this within four months of the date we receive your return.

For more information see our booklet *Disputing an assessment (IR 776)*.

Amending your GST assessment

If we're going to amend your assessment it must be within four years of the end of the month for which the return was provided.

However, if we discover that you've supplied fraudulent information in your return or you've deliberately left out details, we can amend your assessment at any time.

If you're entitled to a GST refund because you've paid more GST than you should have, we'll pay that refund to you. From 1 April 2005, you've up to four years to receive a refund or eight years from the end of the taxable period in question if the overpayment was due to a clear mistake or simple oversight. For this reason it's in your own interests to keep good records.

There are different ways to reassess a GST return, depending on your circumstances. Please call us on 0800 377 776.

Return acknowledgment and notice of assessment

We'll send you a return acknowledgment after we've processed your return. However, if we amend your assessment we'll send you a notice of assessment.

If you have GST to pay, we'll include a payment slip at the bottom of the notice. If we have to refund GST to you, we'll put a cheque at the bottom of the notice, unless you've asked us to direct credit your refunds to your bank account.

Statement of account

We'll send you a statement of account if you ask for one or when specific transactions are carried out such as:

- a transfer to provisional tax
- a transfer from another tax type (such as FBT or PAYE)
- a transfer from another account
- a back-period adjustment
- if you make a payment without your return details
- if you send in a return without payment
- default assessments
- if you're charged a late payment penalty and interest
- if you're charged a late filing penalty
- remission of penalties.

Not all transactions will be shown on the statement, eg penalties that have been charged and then later reversed within the same statement period. Credits of less than $1 will be rolled forward to the next period.

The statement will have a detachable payment slip showing any GST payments due.

Part 4 – Supplies

What are supplies?

"Supplies" is the general term for goods and services you provide or sell in your business.

Most of the goods and services you provide or sell in your business will be taxable supplies. You must charge and account for GST at the rate of 12.5% on these supplies. For more information on taxable supplies—see Part 1 – General information and Part 2 – Options.

These are the different types of supplies:

- taxable
- zero-rated
- exempt
- special.

This section explains in detail the treatment of zero-rated supplies, exempt supplies and special supplies.

Zero-rated supplies

Zero-rated supplies are certain taxable supplies that are taxed at the rate of 0% rather than at the standard rate. You must include all zero-rated supplies in Box 5 of your GST return along with your total taxable supplies. You must also show these zero-rated supplies in Box 6 of your return.

Zero-rated supplies include:

- the sale of a "going concern"
- exported goods
- goods not in New Zealand at the time of supply
- duty-free goods
- exported vessels (ships)
- exported aircraft
- goods and services that are directly connected with temporary imports
- transport of passengers and goods to and from New Zealand
- services performed outside New Zealand
- certain exported services
- the first sale by a refiner of pure gold, silver or platinum to a dealer in fine metal for investment purposes—see page 42
- supplies of certain financial services to certain people
- supplies that are zero-rated imported services.

Sale of a going concern

The sale of a going concern is the sale of a business that is sold "lock, stock and barrel" or the sale of a part of the business capable of operating separately. The business must be a going concern at the time of supply and carried on up to the time of the transfer to the purchaser.

Going concern criteria

To be a going concern, a supply must meet these criteria:

- 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 goods and services necessary for the continued operation of the activity.
- Both parties must agree in writing that there is a supply of a going concern.
- Both parties must intend that the activity is capable of being carried on as a going concern by the purchaser.

Such a sale by one registered person to another registered person is zero-rated (GST content is nil).

The following is an example of a going concern.

Example

Pat Butter, 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 Pat had sold the land and buildings but kept the machinery and the herd, it would not qualify as a going concern.

Also, when only part of a taxable activity (able to operate separately) is sold as a going concern, the sale is zero-rated.

Exported goods

Goods that you export or are going to export qualify for zero rating. Items valued at less than $1,000 which don't need an export entry, also qualify as long as you can prove that they are to be or have been exported. Exported goods also include stores supplied to aircraft and ships for use outside New Zealand.

If you've entered goods for export they must be exported within 28 days of the time of supply, unless we've agreed to an extension.

For information on exported secondhand goods —see page 43.

Supplies to foreign-based pleasure craft

Goods supplied for use on a foreign-based pleasure craft that cause or enable the craft to sail, or goods that ensure the safety of passengers and crew, can be zero-rated. This applies to foreign-based pleasure craft that are in New Zealand under a temporary import entry issued by the New Zealand Customs Service.

The supply of consumable stores for use outside New Zealand on foreign-based pleasure craft departing New Zealand can be zero-rated. The zero rating applies to the final provisioning of consumable stores. Foreign-based pleasure craft are defined as those pleasure craft in New Zealand as temporary imports under Customs legislation.

Consumable stores are those goods that passengers and crew on board intend to consume and those necessary to operate or maintain the pleasure craft, including fuel and lubricants, but excluding spare parts and equipment.

Before zero rating, a supplier of maritime goods and consumable stores must be satisfied that the goods and stores are for a foreign-based pleasure craft, and that the craft is departing New Zealand. For more information, see T*ax Information Bulletin (TIB)* Vol 13, No 11 (November 2001).

Goods destroyed prior to export

Goods that were to be exported but are destroyed, die or cease to exist owing to circumstances outside the control of both the supplier and recipient, will be zero-rated.

Goods not in New Zealand at the time of supply

Goods located outside New Zealand, which are not going to be imported into New Zealand are zero-rated.

Duty-free shops

Goods purchased from duty-free shops by international travellers are zero-rated when a retailer:

- sells goods to a tourist and arranges to send the items overseas to them, or
- arranges to send the items to an overseas customer, or
- arranges to send goods to the airport for a traveller to pick up at the time of departure.

Goods sold by duty-free shops which are licensed as export warehouses and which operate within the Customs processing area at international airports are also zero-rated, although GST may be payable to Customs upon entry to New Zealand.

Exported vessels (ships)

Vessels capable of being exported from New Zealand under their own power can be zero-rated.

Exported aircraft

Aircraft exported from New Zealand under their own power can be zero-rated.

Goods and services directly related to temporary imports

This is any supply of goods or services which are directly connected to temporary imports. The most common services this applies to are repairs and maintenance.

If you use materials to repair a temporary import and those materials become an integral part of that import, those materials are zero-rated. Similarly, if the repair materials become worthless for anything else after the repair job, they are zero-rated.

Anyone supplying goods or services to a temporary import must keep a copy of the Temporary Import Entry form issued by Customs.

Example

A New Zealand-owned boat that normally operates in the Cook Islands is put into dry dock in New Zealand for repairs to its propulsion system. Any services involved in the repair would be zero-rated if the boat is temporarily imported.

Transport of passengers to and from New Zealand

Zero rating applies to international transport and to any other services that form a part of it.

For the transport of passengers, these other services include the international journey and any air travel within New Zealand as long as it is:

- part of the international carriage
- booked at the same time as the international journey, and
- provided through the same agent or supplier.

Example

Errol Plane lives in Napier. He visits a local travel agent and buys a single air ticket for flights from Napier to Auckland and then on to Perth.

GST isn't charged on either flight as the travel is considered to be a contract for international carriage.

Transport of goods to and from New Zealand

For the transport of goods, zero-rated services include the international journey, and any transport within New Zealand (including loading and unloading costs), as long as it's part of the international transport and is supplied by the same person or agent.

The following services in relation to international transportation are also zero-rated:

- insuring or arranging insurance
- arranging the transport.

Domestic transportation of household goods

Transport of household goods in New Zealand is zero-rated if:

- the services are supplied to a non-resident who is outside New Zealand at the time the services are performed, and
- the goods are entered for home consumption under the Customs and Excise Act 1996, and
- the arrangement for the services were made before the goods are entered, and
- the services are expected to be completed within 28 days of the entry of the goods.

Services performed outside New Zealand

Services performed outside New Zealand are zero-rated. For example, if the New Zealand singer Carrie Oakey performs overseas, she will charge GST at 0%.

Services zero-rated even if performed in New Zealand

Services relating to land outside New Zealand

Services supplied directly in connection with land or buildings located outside New Zealand are zero-rated. These may include architectural, real estate and legal services.

Example

A New Zealand architect designs a building to be constructed on an overseas property for an overseas client. The charge for this service is zero-rated.

Services relating to goods outside New Zealand

Zero-rating applies to services performed directly in connection with goods situated outside New Zealand.

Example

A New Zealand insurance company insures a vehicle that is located outside New Zealand. The premiums are zero-rated.

Services supplied to non-residents outside New Zealand

Services are zero-rated when supplied to a non-resident who is outside New Zealand at the time the service is supplied.

Example

Legal advice given to a person living in Australia by a lawyer who is resident in New Zealand is zero-rated.

Services performed in New Zealand for a third party

Services performed under contract to a non-resident who is outside New Zealand, but provided to a third party that is in New Zealand, are not eligible for zero rating.

Example

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

The supply of the tuition under the contract between the New Zealand school and the Singaporean parents is excluded from being zero-rated. This is because the child will receive the tuition in New Zealand.

Example

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

The supply of accommodation under the contracts between New Zealand hotels and the non-resident tour operator is excluded from being zero-rated.

This is because it's reasonably foreseeable that another person (the non-resident tourist) will receive the services in New Zealand.

Note

GST is charged at the standard rate of 12.5% if supplied to non-residents but the supply is received in New Zealand.

Services relating to moveable personal property

Information services provided directly in connection with moveable personal property are zero-rated.

Example

Machines are brought into New Zealand from Germany for testing. The results of the testing are collected, analysed and sent back to Germany. These services are zero-rated.

Services relating to goods to be exported

Services performed directly in connection with goods that are, or will be, entered for export are zero-rated.

Example

A New Zealand fruitgrower exports 1,000 crates of fruit. The offshore recipient wants to ensure the quality of the fruit. He contracts a New Zealand horticultural firm to inspect the fruit independently and prepares a report. This service is zero-rated.

Granting of rights for use outside New Zealand

Services relating to copyrights, patents and so on, which apply outside New Zealand are zero-rated.

Example

A New Zealand publishing company has the copyright on a New Zealand author's book. The company sells the overseas copyright to another New Zealand company. As the other company will be publishing and selling the book overseas (performing a service), the fee for the right is zero-rated.

Restraint of trade

Any amount received for agreeing to refrain from carrying on a taxable activity outside New Zealand is zero-rated.

Note

Where a registered New Zealand-owned entity provides goods or services over the internet to people in New Zealand, they will charge GST.

Where a New Zealand-owned entity sells goods or services over the internet to overseas customers, GST will generally be charged at the rate of 0%, also see pages 38 and 39.

Reasonable steps should be taken to verify the location of the customer and the destination of the goods or services.

Certain supplies of financial services

From 1 January 2005 supplies of financial intermediation services may be zero-rated to recipients that are:

- registered for GST, and
- 75% or more of their supplies in a 12-month period are taxable supplies.

Examples of financial intermediation services include deposit-taking intermediation and brokerage services.

Supplies of financial services to recipients who don't meet these criteria must be treated as exempt supplies. To zero-rate these supplies you must apply in writing to:

Inland Revenue Assurance
Financial Portfolio
PO Box 2198
Wellington 6140

Fax 04 890 4502

Tax Information Bulletin (TIB) Vol 16, No 10 (November 2004) has more information about the zero-rating of financial services. See our GST guidelines for working with the zero-rating rules for financial services at www.ird.govt.nz

Certain imported services

From 1 January 2005 you're required to charge and return GST on any services that you import—see page 53. This can include services that you acquire while outside New Zealand. Some of these services may, however, be zero-rated if they are physically performed outside New Zealand and they can be physically received only at the time and place where they are physically performed, except for services which are intangible in nature.

Exempt supplies

Exempt supplies are goods and services which aren't subject to GST and not included in your GST return. Some exempt supplies are:

- financial services
- donated goods and services sold by non-profit bodies
- renting a dwelling for use as a private home
- the sale of a rental dwelling that was rented for at least five years before the sale
- residential accommodation under a head lease
- the supply of fine metals (gold, silver and platinum), other than zero-rated supplies
- penalty interest.

Financial services

Financial services include the following:

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

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

Financial planning fees cover the various types of fees charged by financial advisors for financial planning services they provide. These are initial planning fees, implementation fees, administration fees, monitoring fees, evaluation fees, replanning fees and switching fees. Services relating to initial planning fees, monitoring fees, evaluation fees and replanning fees are subject to GST. Services relating to implementation fees, administration fees and switching fees are financial services and exempt from GST. See the glossary on page 81 for a detailed definition of "financial planning fees".

Tax Information Bulletin (TIB), Vol 13, No 7 (July 2001) has more information about the GST treatment of services provided for financial planning fees.

Donated goods and services sold by a non-profit body

If a non-profit body has goods or services donated to it and later sells them, it can't charge GST on the sale.

Example

A car dealer gives a car to a church. The church uses the car for two years, then sells it. The sale of the car is exempt.

A non-profit body can't claim a GST credit for expenses involved in supplying donated goods and services.

Example

A charity which runs an opportunity shop selling only donated clothing can't claim GST credits on the shop expenses, such as rates, electricity or maintenance. In this case, if this was the charity's only activity, it would not even register for GST.

However, if it also sells purchased goods, a GST credit may be claimed on the expenses which directly relate to those goods. All other expenses must be apportioned between the exempt and taxable supply use—see page 56 for apportionment methods.

For more information about this, see our *Charitable organisations (IR 255)* booklet.

Renting a residential dwelling

GST can't be charged on the rent for a residential dwelling. A landlord can't claim any GST on dwelling 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 *Tax Information Bulletin (TIB)*, Vol 5, No 8 (January 1994) for more information.

Residential accommodation under a head lease

The supply of residential property for lease under a head lease is an exempt supply, if the property is to be used for the principal purpose of residential accommodation, unless:

- the supplier and the recipient agree that the exemption does not apply, and
- the supply was made under a lease entered into before 16 May 2000, and
- previous supplies were treated as taxable.

Supply of fine metals

Fine metal is any form of:

- gold with a fineness of not less than 99.5%
- silver with a fineness of not less than 99.9%
- platinum with a fineness of not less than 99%.

The supply of fine metal is an exempt supply, such as any sale of fine metal by a dealer, or anyone importing fine metal.

Note

When newly-refined fine metal is supplied by a refiner to a dealer as an investment item, it is a zero-rated supply.

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 as it is exempt.

Note

Fines and penalties imposed for an offence created by statute are not subject to GST. For example, parking penalties imposed by the court as fines or by local authorities as infringement fees are punishments for offences and are not liable for GST.

Special supplies

This section explains how to account for supplies which are different from the normal business sales or purchases. Some special supplies are:

- secondhand goods
- associated persons
- changes in price (credit and debit notes)
- hire purchase agreements
- repossessions
- advance payments
- periodic payments and hire agreements
- successive supplies and progress payments
- delayed settlement transactions
- foreign currency payments
- full price not known at the time of supply
- dishonoured cheques
- lay-by sales
- door-to-door sales
- auctions
- tenders
- agents
- gaming machines
- lotteries and other games of chance
- tokens, stamps and vouchers
- coin and token-operated machines
- accommodation
- insurance
- private dwellings
- sale of an interest in a taxable activity
- grants and subsidies
- local authority rates
- imported services.

If your business makes or receives any of these types of supply it is important that you account for these items correctly.

Secondhand goods

For GST, secondhand goods are goods previously used and paid for by someone else, as in the common definition. It doesn't 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.

Land is considered to be secondhand goods.

The same rules for GST and tax invoices apply to secondhand goods as for all other goods liable for GST. For more information on how and when to account for GST see Part 2 – Options.

Secondhand goods if seller is not GST-registered

If the seller isn't registered for GST or the goods are private (exempt), there will be no tax invoice or GST charged. However, if the purchaser is GST-registered they can claim a credit for GST purposes.

In these cases 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.

Note

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

Regardless of the accounting basis you use, you must make a payment before you can claim the credit for the purchase.

Exported secondhand goods

If you claim a GST input credit for secondhand goods you bought and later exported, you must account for the GST input credit you've claimed by adding this back in Box 9. You must include all of the following in your return regardless of which accounting basis is used:

- the sale or invoiced amount of the sale in Box 5
- the same amount as zero-rated supplies in Box 6, as long as you hold evidence of export
- one-ninth of the full purchase price of the exported secondhand goods in Box 9.

For examples of GST returns, see pages 22 to 28.

Example

Secondhand dealer, Aulden Dayze, buys antique pieces for $605 and $682 from a non-registered person and claims one-ninth of these amounts, totalling $143. They are sold to an Australian company for $2,200. As the supply is zero-rated, GST is charged at the rate of 0%. Aulden shows the following in his return:

- $2,200 in total sales in Box 5
- $2,200 in zero-rated supplies in Box 6
- $143, being one-ninth of the purchase price, is included in Box 9.

Supplies to associated persons

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

See the glossary definition of associated persons on page 81.

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

Fraser, Jollie and Goodfellow, a GST-registered partnership sells a piano to Elle Bartorle, a sister of one of the partners. Elle 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 is for $1,500. The partnership accounts for GST of $166.66 ($1,500 ÷ 9).

Supply to unregistered associated persons

If you supply goods or services to an associated person who can't claim a deduction, you must determine the open (current) market value (see page 83) of the supply and account for the greater of the market value, or the amount you charged, in your return.

Example

If Elle (see previous example) was not registered for GST, the partnership would account for GST of $222.22. This is the $2,000 market value divided by nine.

Include transactions with associated persons in the return for the taxable period in which you made the supply. However, if you receive payment or issue an invoice before the last date for filing that return, the date of payment or invoice determines 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 the 28th of 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 $15 GST (on the market value of $135) in the return for the taxable period ended 30 April, as this is the period in which 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 $15 GST would be included in the return for the taxable period ended 30 June. This is because the invoice or payment would fall in the June period.

Time of supply between associated persons

For the invoice basis, claim a deduction in the return for the taxable period in which the supply is made available, removed or performed. However, if you make payment or receive a tax invoice before the last date for filing that return, the date of payment or invoice determines the taxable period.

If you use the payments or hybrid basis, claim the GST as you make payments as usual.

Changes in price (credit and debit notes)

Sometimes the price of goods or services will change after an invoice has been prepared or a payment made. This section explains 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 in which it was made.

This is usually the taxable period when the credit note was issued. See page 21 for instructions on issuing a credit note.

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 in which the credit note was received.

Example

Homer Ainger sells cleaning goods to Polly Shankleen for $1,000. Polly pays Homer $900 as some goods were damaged. Homer issues a credit note for $100.

Both Polly and Homer use the invoice basis.

Homer's return

$1,000 is included in Box 5 (sales). $100 is claimed 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, Homer could have shown the net amount of $900 in Box 5 instead.

Polly's return

$1,000 is claimed in Box 11 (purchases).
$100 is included in the total sales in Box 5, in the return covering the time when the reduction was made. If Polly received the invoice and credit note in the same period, she could claim the net $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 in which it was made. This is usually the taxable period in which you issued the debit note. See page 21 for how to issue a debit note.

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

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

Example

Maida Mesophet sells goods worth $1,100 to Ken Hugh Bleavitt for $1,000 by mistake. Maida then issues a debit note to Ken for $100. Both Maida and Ken use the invoice basis.

Maida's return

$1,000 included in Box 5 (sales). The extra $100 is also included in Box 5, but in the return covering the period the increase was made.

Ken's return

$1,000 included in purchases, in Box 11.
$100 claimed in Box 11 in the return covering the time the increase was made.

Hire purchase agreements

You must account for all hire purchase sales in the taxable period covering the date you enter into the agreement, regardless of the accounting basis you use.

If you buy goods on hire purchase, you may claim a deduction in the taxable period covering the date you enter into the agreement, regardless of the accounting basis you use.

Example

Walter Wall sells a carpet on hire purchase to Homer Ohner on 7 June. The cash price is $550, which includes GST. The agreement is for 36 monthly payments of $23, totalling $828.

Walter accounts for the sale on the cash price of the goods ($550) in the period covering 7 June. Homer also claims for his purchase on the cash price of the goods ($550) in the period covering 7 June. The difference of $278 is the finance charge, which is an exempt supply.

Repossessions

In hire purchase arrangements, goods are usually repossessed and resold if the buyer doesn't keep up the payments. 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 wouldn't be a taxable supply if sold by the debtor.

The repossessor will need to file a *Goods and services tax return for goods sold in satisfaction of a debt (IR 373)*.

Example

Bill O'Vraites sells a $1,200 fridge on hire purchase to Mea Culpa for her restaurant. Bill O'Vraites accounts for GST of $133.33 ($1,200 ÷ 9) in the return covering the period in which the agreement was made.

Mea Culpa doesn't keep up the payments.

Bill O'Vraites repossesses the fridge and sells it again. He then files a special return for goods sold in satisfaction of debt. The sale after repossession, and the GST to be accounted for on it, is considered to be made by Mea Culpa.

Advance payments

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

Example

A payment from a marketing board to Theresa Green, a grower, is accounted for as follows:

Theresa's return

Theresa includes the payment in total sales in Box 5 of the GST return for the period she receives it.

If, for some reason, Theresa 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 is a financial service.

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

Marketing board's return

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

If the advance is later repaid, the repayment must be included in the total sales (Box 5). Any interest is exempt, as it is a financial service.

Agent's return

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

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.

Successive supplies and progress payments

The time of supply is the time when a progress payment was made or when an invoice was issued, whichever was earlier.

The 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 receive progress payments, and you use the invoice or hybrid basis, account for the GST in the earliest taxable period that a payment is due or received, or issue an invoice for that payment only.

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

If you are making progress payments under the invoice basis, you may claim a GST credit in the earliest taxable period that a payment is due, or you make a payment, or you receive a tax invoice for that instalment.

For the payments and hybrid basis you claim a credit in the taxable period in which you make a payment.

Delayed settlement transactions

If a vendor who is registered for GST enters into a property transaction with a delayed settlement date, the vendor is required to return GST on an invoice basis for the supply if it exceeds $225,000 including GST. This is regardless of their accounting basis. Therefore, if you're on a payments basis you must account for the GST at the earlier time of an invoice being issued or when payment is received. This won't apply if the sale and purchase agreement requires settlement to occur within 365 days.

Foreign currency payments

If payment for goods or services is made in a foreign currency, convert it to New Zealand dollars using the exchange rate applying at the time the goods or services were supplied.

To claim a GST credit you must hold a tax invoice in New Zealand currency.

Full price not known at the time of supply

Sometimes a final price is not settled until after the goods are physically supplied. This section explains the rules for these situations.

If you are selling goods in this manner and you use the invoice or hybrid basis, include the GST in the earliest period that an invoice is issued for any part of the supply, or a payment is due, or a payment is received.

Example

Pa Snipp, a farmer, sells produce to an exporter for a down payment plus an end-of-season catch-up based on export prices. Pa accounts for the down credit immediately. The catch-up payment is accounted for when it is due, or received, or when an invoice is received, whichever is earlier.

If you're using the payments basis, account for the supply when you receive payments.

If you purchase goods where the full price isn't known, and you use the invoice basis, you claim a credit in the earliest taxable period that you receive a tax invoice, or you make a payment, or a payment is due. Include the total amount invoiced, due or paid.

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

Dishonoured cheques

If a cheque is dishonoured, it's as though the payment didn't occur and you don't account for it. Please contact us to correct your return if you've already filed and it includes a dishonoured cheque—see page 77 for contact details.

Note

This is only for people who are using the payments basis. For invoice and hybrid bases, this can only be reversed when it's written off as a bad debt.

Lay-by sales

The time of supply is the date when the title of the asset passes to the purchaser. If the sale is cancelled and the seller keeps part of the money, the time of supply is the date of cancellation.

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

Even if you use the payments basis, don't account for the lay-by payments as you receive each one, but wait until you receive the final payment.

Example

Sue Donim buys a DVD player on lay-by from Wyatt Firsound in January 2008. 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 2008. Wyatt Firsound accounts for GST in the taxable period covering March, when the final payment was made and ownership changed.

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

Example

Sue Donim (see previous example) cancels the agreement in February 2008, and receives a refund of $300. She has forfeited $60, which Wyatt Firsound accounts for in the taxable period covering February.

If you purchase goods on lay-by, you may claim a deduction when you have fully paid for them, and you hold a tax invoice.

If you cancel a lay-by sale, you may claim one-ninth of any cancellation charge made by the supplier, in the period you cancel it, as long as you hold a tax invoice.

Door-to-door sales

The time of supply is the first day after the period 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.

Auctions and auctioneers

Ownership of goods under auction never passes to the auctioneer.

The auctioneers sell goods on behalf of other people, called principals. The 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 principal and 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 isn't 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 conducted on either a GST-inclusive or a GST-exclusive basis. It should be stated at the beginning of the auction, so that the bidders know whether or not their bids include GST.

Agents

Special rules apply if a New Zealand agent who is registered for GST, acts on behalf of a non-resident principal who is outside New Zealand, and who isn't registered for GST.

These are:

- a New Zealand agent may buy supplies for the non-resident principal. The agent may, in certain circumstances, claim GST incurred when importing or exporting goods to or from New Zealand or arranging transportation.
- in some instances a non-resident, non-registered principal may wish to sell goods in New Zealand but doesn't want to have a place of business here. The non-resident may contract the services of an agent to sell and distribute their goods. If the New Zealand agent (who is registered for GST), and the principal agree—the agent will be responsible for returning GST on the sale of the goods rather than the non-resident. The agent will be able to claim GST incurred when importing the goods into New Zealand.

Example

A non-resident art gallery decides to sell several pieces of art in New Zealand. The gallery arranges for an agent in New Zealand, registered for GST, to carry out the sale. The agent agrees to act as the supplier and importer of the artwork, rather than the art gallery. The agent may claim for any GST paid to import the goods and is responsible for charging GST on the sale of the artwork in New Zealand.

Tenders

A registered person may invite tenders for a future supply of goods or services. It's a good idea if the advertisement states whether the tenders should include GST, so both parties know whether to allow for GST in the tender amount.

Occasionally the person making a tender will have to pay a deposit. There is no GST on such a deposit unless all or part of it is kept for some reason.

Gaming machines

Gaming machines are machines that are constructed, designed or adapted for use in gambling.

If you operate gaming machines you should be registered for and paying gaming machine duty. You must also pay GST on the value of the gaming machine revenue, which 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.

The gaming machine revenue, for GST purposes, is calculated from the information provided in the record keeping requirements 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, the report(s) prepared during this period can be used to calculate the gaming machine revenue.

Problem gambling levy (PGL) is also payable on gaming machine profits. You may claim back the GST on PGL.

For more information about gaming machines, see our *Gaming machine duty (IR 180)* booklet.

Lotteries and other games of chance

If you run raffles, lotteries, or other games of chance, you must account for the proceeds of the lottery (such as total sales of tickets or cards) less the total amount of cash prizes.

Example

Total proceeds of a raffle were $1,070 (535 tickets at $2 each). Cash prizes were:

1st	$ 500
2nd	$ 200
3rd	$ 100
Total	$ 800
Total proceeds	$ 1,070
Cash prizes	$ 800
Difference	$ 270

$270 must be included in Box 5 of the return for the taxable period covering the date the raffle was drawn.

If one raffle has a number of draws, account for the GST in the return covering the date of the first draw.

You may claim GST on the purchase of non-cash prizes in the normal way, as long as you hold a tax invoice.

Tokens, stamps and vouchers

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

The law recognises that it may be impractical to return the GST at the time when the customer buys a voucher. Instead, the GST could be accounted for when the customer actually exchanges the voucher for the monetary value of the goods or services purchased, where the supplier of the voucher and the supplier of the goods or services agree.

Account for GST when the vouchers are redeemed by the customer

Example

A petrol station owner sells an oil company's $20 petrol voucher to a customer. The petrol station owner collects the $20 on behalf of the oil company and forwards that money to them.

The customer gives the voucher to a friend who buys petrol at another petrol station. Here, there is 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 then accounts for the GST on the $20 by including the total amount of the sale in Box 5 of their GST return.

The redemption option doesn't 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

Buying tokens, stamps and vouchers can be claimed as an expense at acquisition according to your accounting basis.

Coin and token-operated machines

This section applies to machines that are not gaming machines—see page 50.

Coin-operated machines

If you supply goods or services through any coin-operated device or machine, such as a video game, snack machine or parking meter, you must account for the total value of the coins removed from the machine. Include the amount in the return that covers the date you removed the coins.

Token-operated machines

If you make a supply through a token-operated device or machine, you account for the tokens in the same way as other tokens, stamps or vouchers. The supplier should treat the token as a supply for GST purposes at the time the customer buys them.

If you receive business goods or services through a coin or token-operated machine, you may claim a GST credit in the period you paid the money.

Accommodation

The supply of residential accommodation in a dwelling is exempt from GST. However, accommodation in a hotel, motel, other commercial dwelling, hospital or residential establishment may include GST.

If your taxable activity is a hotel, motel, or other commercial dwelling, the GST on the accommodation (domestic goods or services) is calculated in two different ways:

– four-week rule for commercial dwellings
– four-week rule for residential establishments.

Four-week rule for commercial dwellings

Charge GST on the full value of accommodation in hotels, motels and other commercial dwellings for the first four weeks' stay.

After four weeks, charge GST only on 60% of the value of the domestic goods or services. These are usually the right to occupy the premises and any of the following if they are included in that right:

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

Example

Laura-Lynn Hardie 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

Ms Hardie
71 John Street
Christchurch

08 April 2007

28 days (first four weeks) at $104 per night	$2,912.00	
GST (12.5% of $2,912.00)	$364.00	
		$3,276.00
14 days (after four weeks) at $104 per night	$1,456.00	
60% of $1,456.00 $873.60		
GST at 12.5% $109.20	$109.20	
		$1,565.20
Food and laundry	$1,035.00	
GST at 12.5%	$129.37	
		$1,164.37
Total due		**$6,005.57**

Main Street
WELLINGTON

PO Box 36 363
WELLINGTON

Phone: (04) 333 6666
FAX: (04) 333 6663

Show the following in the GST return:

$ 364.00	(first 28 days)
$ 109.20	(next 14 days)
$ 129.37	(food and laundry)
$ 602.57	(total GST charged)

$602.57 × 9 is $5,423.13 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 separately identified from the domestic goods or services (bed).

Four-week rule for residential establishments, such as boarding hostels or resthomes

If there is an agreement that the stay is for more than four weeks, GST must be charged on 60% of the value of domestic goods or services from the start of the stay.

Insurance

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

Example

Homer Brugh's distilling equipment was damaged by fire on 20 January 2007. An insurance company issued a cheque on 18 March 2007 for $4,500 to cover the damage.

Homer Brugh includes $500 ($4,500 ÷ 9) in Box 9 of the return for the taxable period covering 18 March.

You don't need to account for any insurance or compensation payment received for loss of earnings, eg accident compensation. However, the insurer will still charge GST on their premiums for this type of cover.

You don't account for any payment received under a life insurance contract, as the insurer can't charge GST on the premiums.

Some types of insurance premiums are liable for GST (such as fire and general insurance). A registered insurer may claim deductions for payments to policy holders when they are made. A tax invoice isn't needed.

The insurer needs a tax invoice to deduct any other payments for claims on policies, such as a payment to a panelbeater for repairs to an insured vehicle.

An insurer can't claim for payments made under life insurance policies.

Private dwellings as part of taxable activity

If a registered person purchases a taxable activity that includes a dwelling, it's treated as a separate supply (exempt). To be able to claim a GST credit, the purchaser must prove that the principal use of the dwelling is part of the taxable activity. If this isn't the case, the purchaser can't claim for it.

Sale of interest in a taxable activity

If persons are members of an unincorporated body, such as a partnership, joint venture or trust, it's the body that is the registered person and not the individual members.

Therefore, if a member sells an interest in the body, there are no GST implications. It's a private transaction between two people and not a taxable supply.

Grants and subsidies

Grants and subsidies from the Crown or public authorities are considered to include GST if the recipient is registered for GST. Include the full grant or subsidy in Box 5 of your return.

Example

Hiram Anfiram employs 10 staff. He receives a wage subsidy of $200 per week for eight weeks. The GST content would be $177.77.

$200 × 8 (weeks)	$ 1,600.00
$1,600 ÷ 9	$ 177.77

Hiram includes $1,600 with sales in Box 5 of his return.

An exception is grants intended for overseas use for international development. You will have to return GST only on the portion of the grant that is allocated for administration and capacity building in New Zealand.

If you receive a grant or subsidy from a government department, you don't normally need to issue a tax invoice. However, if you receive a grant or subsidy, such as a research grant, from another registered person you'll probably be asked 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.

Local authority rates

Local authorities are the only registered persons who charge rates.

A local authority uses the invoice or hybrid basis accounts 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 payments of rates at the time they are received, regardless of whether they are paid in one instalment or several.

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

If you use the invoice basis and you pay rates in one lump sum, you may claim a GST credit when you make the payment or receive an invoice, whichever is earlier. 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, provided you hold a tax invoice.

GST on imported services – reverse charge

GST applies to certain supplies of services that are imported to New Zealand. For example:

- management
- legal and accounting services, or
- products downloaded through the internet.

If you're receiving imported services from an overseas supplier you may need to account for GST on the cost of the services, whether you're currently registered for GST or not. This is the "reverse charge" mechanism. It requires you to add GST (12.5%) to the price of the services you've received.

You include that amount in your GST return and pay it to us if:

- the services are supplied by a non-resident supplier to a recipient who is a New Zealand resident, and
- the services are acquired by a person who:
  - hasn't, in the 12-month period that ends with the month in which the supply is made, made supplies of which at least 95% in total are taxable supplies, and
  - doesn't, at the time of the supply, have reasonable grounds for believing that they will, in the 12-month period that begins with the month in which the supply is made, make supplies of which at least 95% in total are taxable supplies, and
- the supply of the services would be a taxable supply if it were made in New Zealand by a registered person in the course of their taxable activity.

If you haven't previously been registered for GST, you'll be required to do so in the event that the value of imported services takes your turnover above the GST registration threshold of $60,000.

The reverse charge is also likely to apply to GST-registered persons who are currently required to apportion between exempt and taxable supplies. There are special provisions if you're receiving the imported services from a non-resident member of the same GST group.

A person required to pay GST under the reverse charge is treated as the supplier of the services for registration purposes, payment of output tax and record-keeping.

For more information about GST on imported services see T*ax Information Bulletin Vol 16*, No 10 (November 2004). See our GST guidelines for recipients of imported services.

Part 5 – Adjustments

Calculation sheet for GST adjustments

The *GST adjustments calculation sheet (IR 372)* is designed to help you prepare your GST return. Use it to record the adjustments you need to make. Retain this sheet for your records and keep full details on how these items have been calculated. The calculation sheet lists the items for which you need to make adjustments.

In this part you'll find information on:

- private use of business assets, goods or services
- private use of a business motor vehicle
- business use of private goods or services
- business use of a private motor vehicle
- private assets used in business costing less than $18,000 (one-off adjustment)
- private assets used in business costing more than $18,000
- depreciation
- home office expenses
- entertainment expenses
- assets kept after you cease to be registered
- change of accounting basis
- goods and services used in making exempt supplies
- bad debts written off
- barter
- GST paid to or invoiced by Customs
- GST on fringe benefits.

The first set of adjustments is for items that are added in with the GST on sales and income. Add up the adjustments and copy the total to Box 9 on your return.

The second set of adjustments belongs with the credits for GST on purchases and expenses. Add up the adjustments and copy the total to Box 13 on your return.

This part explains how to deal with most of the adjustments on the calculation sheet. The exceptions are insurance payments received (page 52) and exported secondhand goods (page 43).

In some of the adjustments you need to make, you will need to allocate between the taxable use and private use of your assets, goods and services. You also need to know the depreciation rates for your calculation. Apportionment methods and depreciation rates are also covered in this section.

Inland Revenue
Te Tari Taake

GST adjustments calculation sheet

IR 372
September 2007

- **Use this sheet to calculate the GST on your adjustments for your GST return.**
- **Please use the GST guide (IR 375) to help you work out your adjustments.**
- **Keep this sheet and full details on how these items have been calculated.**

Your name

Period covered by the return ○ One-monthly ○ Two-monthly ○ Six-monthly

from Day Month Year to Day Month Year

Include GST on adjustments in Box 9.

Private use of business goods and services for annual or period-by-period adjustments		$
Business assets used privately (a one-off adjustment)		$
Assets kept after ceasing to be registered		$
Entertainment expenses (once a year only)		$
Change of accounting basis		$
Goods and services used in making exempt supplies for annual or period-by-period adjustments		$
Other (such as: barter, bad debts recovered, exported secondhand goods, insurance payments received)		$
Total adjustments. Copy this total to Box 9 on your return.	9	$

Include GST on credit adjustments in Box 13.

Business use of private/exempt goods and services for annual or period-by-period adjustments		$
Private assets used for business costing less than $18,000 (a one-off adjustment)		$
Change of accounting basis		$
Other (such as: bad debts written off, GST content shown on Customs' invoices)		$
Total credit adjustments. Copy this total to Box 13 on your return.	13	$

Apportionment methods

To make some of the adjustments covered in this part, you'll need to work out the private or exempt portion of various income and expenses.

There are three apportionment methods:

- direct attribution
- turnover method
- special method.

You must choose a method that ensures a fair and reasonable result.

Direct attribution

Direct attribution is splitting the use of goods or services between the taxable use and any private or exempt use. You can use this method for calculating both private and exempt use.

Direct attribution would also be used if part of a home is set aside for business use, eg as an office. The percentage of the office floor area compared with the whole house area is used to apportion the house expenses. See pages 63 to 64 for an example.

In some cases, we'll accept an estimate of the business and private or exempt split. However, this must be backed up by acceptable reasons. Call us (see page 77) if you need more help with this.

Keeping a logbook

If a motor vehicle is used for both private and business purposes you must keep a logbook for a minimum of three months to work out the business and private use of the motor vehicle.

You can use the result of this three-month record to make claims for the business share of your vehicle expenses over the next three years. This is provided your business use of the vehicle doesn't change by more than 20%. If this happens, you will have to keep a logbook again for another three-month period.

Turnover method

This method is for calculating use of exempt supplies only. You can't use it for calculating private use.

The formula is:

$$\frac{A}{B} \times 100 = \text{the percentage of total supplies that are exempt}$$

In this formula:

A is the total value of exempt supplies for the period.

B is the total value of all supplies (excluding GST) for the period.

If your income includes interest earned from money paid in advance, and you must pay interest to people who own the money, the total value of exempt supplies may be a net figure.

Example

Solicitor's trust account

Interest received from advances	$10,000
Interest paid to account holder	$ 8,000
Net exempt supplies	$ 2,000

This net figure can be used in working out any apportionment of office expenses.

Special method

We can approve an alternative method if turnover or direct attribution methods are not suitable. If you develop an alternative please write to us for permission to use your own method.

Depreciation rates

In some of the ways you work out your adjustments, depreciation rates are an important part of the calculation. You need to find the correct depreciation rate.

Depreciation rates are only relevant for annual or period-by-period adjustments.

Our *Depreciation (IR 260)* guide explains how to work out your depreciation claim for income tax purposes. Depreciation rates are linked to the dates you purchased and used your assets. See our *General depreciation rates (IR 265)* booklet.

There are special rules for the depreciation rates in these GST adjustment formulas. These are different from the income tax rules explained in the IR 260 guide. The date you purchased or used the asset doesn't matter for GST adjustments.

You can't use any of the equivalent depreciation rates shown in our IR 265 booklet that include either a 20% or 25% loading. These rates are available for income tax and don't apply for GST purposes.

In most of the adjustment formulas, you will need to use straight line depreciation rates. To get the straight line rate for your asset, you can either:

- look it up in the schedules in the IR 265 booklet, or
- multiply the diminishing value rate (DV) by two-thirds.

Motor vehicles	DV	Straight line	
		DV × 2/3	Rate from schedule
General rate	30%	20%	21%

Note

To keep things simple, we've used the general straight line rate in the adjustment examples.

Private use of business goods or services

If you're registered for GST and use goods or services from your business for private purposes, you need to make a GST adjustment. The adjustment amount goes in Box 9 of your return so it's added to the GST on sales and income.

Companies and employers who are registered for fringe benefit tax (FBT) don't need to make this adjustment. This is because FBT covers any private benefits received by shareholder-employees or employees. However, a GST adjustment is needed for any fringe benefits liable for GST. See page 73 for more information.

Sole traders, partnerships and trusts not registered for FBT must always make the private use adjustment for business assets used privately.

Sole traders, partnerships and trusts may be registered for FBT for benefits to employees, but may still have to make the private use adjustment. This will happen if the owner, partners, trust members or any associated persons use business assets privately. They will also have to make the GST adjustment for any fringe benefits liable for GST. See page 73 for more information.

You can choose one of the following three options to make adjustments for private use of a business asset:

Option 1 – one-off adjustment
Option 2 – period-by-period adjustments
Option 3 – annual adjustments.

These options are explained in full on pages 57 to 61.

Option 1 — One-off adjustment

This adjustment is available when you acquire a business asset that will be used privately or when there's a change in use of an asset from business to private. You can make a one-off adjustment in the period in which you acquired it or the change in use occurred. This means that you don't have to make a period-by-period or annual adjustment.

This adjustment can be made regardless of whether you hold the asset for one year or ten years.

If the goods or services are acquired to replace assets with an existing use, and you've elected to make a one-off adjustment, the pattern of use that has been established for the original asset may be applied to the replacement goods or services to reflect the private use.

If a pattern of use doesn't exist, you must estimate the amount of private use that will apply to the goods or services and revise the provisional use after twelve months.

However, if there is:

– a total change in use, or
– a change of 20% or more (either an increase or decrease)

a further adjustment is required.

The following formula is used to calculate the adjustment to include in Box 9 of the GST return.

$$\frac{\text{Purchase price} \times \text{estimated private use}}{9}$$

Example

Paul Martin bought a computer system for \$4,500 (including GST). He proves he is going to use it 90% for business and 10% for private purposes.

Paul includes \$4,500 in Box 11 of his GST return and gets a \$500 credit (\$4,500 ÷ 9). The one-off adjustment is based on the private use:

\$4,500 × 10% = \$450 (private use)
GST is \$50 (\$450 ÷ 9)

Paul Martin includes \$50 on his IR 372 calculation sheet (see page 55) under "Business assets used privately (a one-off adjustment)". The total amounts are then transferred to Box 9 on his GST return.

Subsequent change in use

Example

In a future taxable period, Paul's computer system is used 70% for business and 30% for private purposes. The private use of his computer system has changed from 10% to 30%. This means there has been a change in use of 20% so a further adjustment is required.

Paul originally made a one-off adjustment of $50 based on 10% private use. He now has to make a further one-off adjustment based on the increased private use of 20%:

$4,500 × 20% = $900
GST is $100 ($900 ÷ 9)

Paul includes $100 on his *IR 372* calculation sheet under "Business assets used privately (a one-off adjustment)". The total amounts are then transferred to Box 9 on his GST return.

Option 2 — Period-by-period adjustments

If you make period-by-period adjustments you make the private use adjustment in the return that covers the time that the goods and services were used privately.

There are two adjustments to make. One is for revenue or expense items, and the other is for capital or asset items.

Revenue or expense items

Revenue or expense items are goods and services used up or sold continuously in the course of your taxable activity. They include such things as raw materials, electricity, insurance, telephone costs and running costs for a car.

Note

For car running costs, see the section on pages 61 and 64. Sole traders, partnerships and trusts may be able to use a simpler alternative formula.

Calculating the revenue or expense adjustment for period-by-period adjustments

Example

Gilda Lilly is an interior decorator and has a six-monthly taxable period. She buys 20 litres of paint costing $160 for her business, which includes a trade discount of $20. She uses some of the paint for her own home.

Step 1	Work out the percentage of private use.	Gilda uses 4 litres of paint for private use—20%
Step 2	If the GST-inclusive cost of the items is different from the market value use the lesser amount. Call this L. Otherwise use the price.	Cost price $160 Market value $180 L $160
Step 3	Multiply L by the percentage of private use from Step 1.	160 × 20% = $32
Step 4	Divide the amount from Step 3 by 9. This is the GST adjustment to show on the IR 372 calculation sheet under "Private use of business goods and services for annual or period-by-period adjustments". The total amounts are then transferred to Box 9 of your GST return.	The adjustment for Gilda to show on her calculation sheet is $3.55 ($32 ÷ 9).

Capital or asset items

Capital and asset items are used to run the business but not expected to be used up in the normal operations of the business. Examples are motor vehicles, computers and machinery.

Note

For motor vehicles, see the section on page 61. Sole traders, partnerships and trusts may be able to use a simpler formula.

There are different methods for calculating the capital or asset adjustments, depending on whether your business is a sole trader operation, partnership or trust—see page 60.

Capital or asset adjustment for sole traders on a period-by-period basis

Example

Matt Finnish, who has a two-monthly taxable period, uses his promotional caravan for a month-long family holiday. The cost of the caravan was $28,000 but its present market value is $20,000.

Step 1	Work out the percentage of private use.	Private use percentage for the period is 50%. (One-month holiday within the two-month GST period.)
Step 2	Compare the GST-inclusive cost of the item with the current market value. Call the lesser amount L.	The lesser of cost or market value is $20,000.
Step 3	Find out the straight line depreciation rate for the asset. Call this S.	The general straight line depreciation rate for caravans is 10.5%.
Step 4	$\frac{L \times S}{N} \times$ percentage of private use from Step 1. N is the number of taxable periods each year.	$\frac{\$20,000 \times 10.5\%}{6} \times 50\% = \$175$
Step 5	Divide the amount from Step 4 by 9. This is the GST adjustment to show on the IR 372 calculation sheet under “Private use of business goods and services for annual or period-by-period adjustments”. The total amounts are then transferred to Box 9 of your GST return.	The adjustment for Matt Finnish to show on his IR 372 calculation sheet is $19.44 ($175 ÷ 9).

Adjustment for partnerships and trusts

When assets are used privately by an associated person of a partnership or trust, the adjustment is worked out as though the asset were leased to the associated person.

If the asset used is a car, station wagon, ute or van, you have a choice of three options for working out the adjustment:

- the period-by-period basis outlined in the example below, or
- the 24% method (see page 62) using the cost price including GST, which adjusts for capital and revenue at the same time, or
- annual adjustments—see page 61.

Note

The interest rate used in Step 3 below is the prescribed rate of interest used for FBT purposes. The rate varies and is set by Order in Council. The three years in the example represents average lease agreement terms. Associated person value of supply is the open (current) market value.

Adjustments

Capital or asset adjustment for partnerships and trusts on a period-by-period basis

Example

Clatcher and Therye partnership owns a car valued at $20,000. The car is used privately by one of the partners, Norman Clatcher. The partnership has two-monthly taxable periods.

Step 1	Work out the percentage of private use.	The vehicle logbook shows that private trips were 25% of the total travel.
Step 2	Find out the current market value of the asset. This is not the book value, but what it would sell for. You must supply proof, such as a written valuation from the vendor or a dated advertisement for a similar asset.	Current market value of car, excluding GST, is $20,000.
Step 3	Work out the interest for three years on the current market value at 9.55% (the current interest rate at the time of printing).	$20,000 × 9.55% = $1,910 $1,910 × 3 years = $5,730
Step 4	Depreciate the current market value of your asset over a period of three years using the diminishing value depreciation rate. This will give you the residual value of your asset.	**Rate** / **Depn.** / **Value of car** $20,000 30% / $ 6,000 / $14,000 / Year 1 30% / $ 4,200 / $ 9,800 / Year 2 30% / $ 2,940 / $ 6,860 / Year 3
Step 5	Add the market value and interest, then deduct the residual value. The balance represents the rental for a 36-month lease. Work out the rental amount for the current taxable period. Add 12.5% GST.	$20,000 (market value) + $5,730 (interest) = $24,730 - $6,680 (residual value) = $18,870 divided by 36 months = $524.16 x 2 (2 monthly period) = $1,048.33 + 12.5% (GST) = $1,179.38
Step 6	Multiply the rental amount for the taxable period by the private percentage from Step 1.	25% of $1,179.38 is $294.85
Step 7	Divide the amount from Step 6 by 9. This is the GST adjustment to show on the IR 372 calculation sheet under “Private use of business goods and services for annual or period-by-period adjustment”. Transfer the total amounts to Box 9 of your GST return.	The adjustment to show on the partnership’s IR 372 calculation sheet is $32.76 ($294.85 ÷ 9).

The partnership also needs to make an adjustment for running costs.

Option 3 — Annual adjustments

Exactly when you make the annual adjustment depends on whether a tax agent prepares your income tax return.

If you don't have an agent, you can make the adjustment in the GST return covering the date your income tax return is filed or due to be filed.

If you have an agent you can make the adjustment in the GST return covering the earlier of:

- the date your income tax return is filed, or
- 31 March after the due date for your income tax return.

For example, if your 2008 return is due on 7 July 2008 and you don't have a tax agent, you can make your GST adjustment in the GST return which covers that date. However, if you have a tax agent who has an extension of time to file your 2008 return, you can make the adjustment in the GST period which covers that date your income tax return was prepared or filed.

Example

Polly Williams designs clothes at home using a commercial sewing machine. Over the past 12 months she has used it 90% for business and 10% for private purposes.

Polly has a two-monthly taxable period but she decided to do an annual GST adjustment for the 10% private use of her sewing machine.

She prepared her income tax return in early July 2008 and included her annual GST adjustment on her July 2008 GST return.

This annual GST adjustment was based on:

Step 1 The sewing machine's market value $30,000 (the lesser of $40,000 cost)

Step 2 The straight line depreciation rate for a commercial sewing machine is 13.5%

Step 3 $30,000 × 13.5% ÷ 1 (annual tax period) x 10% (private use) = $405

Step 4 $405 ÷ 9 = $45 (the GST content)

Step 5 $45 is the total annual adjustment

Step 6 $45 is the annual adjustment Polly returns for the 10% private use of the sewing machine. Polly includes this amount on her *GST calculation sheet (IR 372)* under "Private use of business goods and services for annual or period-by-period adjustments" and then transfers the total adjustment to Box 9 of her July 2008 GST return.

Private use of a business motor vehicle

Sole traders, partnerships and trusts that use a business car, station wagon, ute or van privately, have three options to choose from for making their adjustment:

- One-off adjustment (see page 57).
- Period-by-period adjustments. See pages 58 to 61 for an explanation on the revenue and capital item procedures, or use the formula based on 24% of the cost price including GST (both methods have examples below).
- Annual adjustments—see page 61.

Example

Sybil de Fence, a sole trader with a two-monthly taxable period, uses her business car for private use. Her three-month logbook test period showed 25% private use. The last two months' expenses for the car were:

Insurance	$ 250
Petrol	$ 380
Repairs	$ 75
Registration	$ 100
Total	$ 805

The cost of the car was $30,000 and its current market value is $26,000.

Revenue item adjustment

The value of Sybil's private use is:

$805 × 25% = $201.25

Capital item adjustment

The lesser of cost or market value is $26,000.
Straight line depreciation rate is 18%.
The number of periods in the year is six—she files two-monthly returns.

The value of private use is:

$$\frac{\$26{,}000 \times 18\%}{6} \times 25\% = \$195$$

The total private use adjustment is:

$201.25 + $195.00 = $396.25

The adjustment Sybil shows on her IR 372 calculation sheet is $44.03 ($396.25 ÷ 9).

Adjustments

24% method

This is a single calculation that covers the revenue and capital adjustments in one go. The 24% method can only be used for cars, station wagons, utes and vans. The private use percentage will come either from your logbook or, if you have replaced a business-owned vehicle and the private ongoing use of the second vehicle is the same as the original vehicle, you can use that percentage.

Example

Horace Cope has a two-monthly taxable period and uses a business car privately. The GST-inclusive cost of the vehicle was $20,000. He kept a logbook for three months, which showed that private trips made up 490 kms out of a total of 1,000 kms.

Step 1 Work out the percentage of private or exempt use against its total use

$$\frac{490 \text{ kms}}{1{,}000 \text{ kms}} = 49\%. \text{ Call this P.}$$

Step 2 Work out 24% of the car's GST-inclusive purchase price to get the total costs for the year. Call this C.

$20,000 × 24% is $4,800

Step 3 $\frac{C \times P}{N}$

N is the number of taxable periods per year.

$$\frac{\$4{,}800 \times 49\%}{6} = \$392$$

Step 4 Divide the amount from Step 3 by 9 ($392 ÷ 9 = $43.55). This is the adjustment Horace shows on his IR 372 calculation sheet under "Private use of business goods and services for annual or period-by-period adjustments". Transfer the total amounts to Box 9 on your GST return.

Business use of private goods or services

If you purchase goods and services to use mainly for private purposes you can't claim the GST on the purchase.

However, if you use these goods or services in your taxable activity, you may make an adjustment to claim some GST.

You can choose from these three options:

- period-by-period adjustments
- an annual adjustment
- a one-off adjustment if the asset has a cost of $18,000 or less.

If you make period-by-period adjustments you make the business use adjustment in the return that covers the time that the goods or services were used for business.

Period-by-period revenue or expense adjustment

Example

Hiram Emery owns a personal computer which he uses for his partnership to record debtors and creditors. Records show 15% of computer use relates to business. The partnership has a six-monthly taxable period.

Step 1	Work out the percentage of business (taxable) use.	Business use percentage for the period is 15%.
Step 2	Add up expenses for the six-month period and call this E.	Total expenses (including GST) involved in running the computer for the six-month period were: Maintenance $ 475 Electricity $ 250 Insurance $ 300 $1,025
Step 3	Multiply E by the business percentage from Step 1.	$1,025 × 15% = $153.75
Step 4	Divide the amount from Step 3 by 9.	The adjustment for the partnership to show on the IR 372 calculation sheet is $17.08 ($153.75 ÷ 9).

Period-by-period capital or asset adjustment

Step 1	Work out the percentage of business (taxable) use.	Business use percentage for the period is 15%.
Step 2	Use the lesser of the GST-inclusive cost of the item or the current market value. Call this L.	The current market value of the computer is $3,000, but Hiram bought it at a discounted price of $2,500 (including GST). The lesser of cost or market value is $2,500.
Step 3	Find out the straight line depreciation rate for the asset. Call this S.	The general straight line depreciation rate for computers is 40%.
Step 4	$\frac{L \times S}{N} \times$ percentage of business use from Step 1 N is the number of taxable periods each year	$\frac{\$2,500 \times 40\%}{2} \times 15\% = \$75$
Step 5	Divide the amount from Step 4 by 9.	The adjustment for the partnership to show on the calculation sheet is $8.33 ($75 ÷ 9).
Step 6	Add the expense adjustment ($17.08) to the asset adjustment ($6.25) and transfer the total ($23.33) to the IR 372 calculation sheet under "Business use of private/exempt goods and services for annual and period-by-period adjustments".	Include the total adjustments in Box 13 of the partnership's GST return.

Business use of a private motor vehicle

For the business use of a private motor vehicle the same three options apply as for other private goods or services—see page 62.

The business use percentage will come from your logbook. See page 56 for more information about logbooks.

Period-by-period adjustment

Example

David Angoliath has been making his adjustments on a period-by-period basis. The 30% business use of his car was derived from his three-month logbook test period. Over the two-month period of August and September 2008, total expenses including GST for the car were calculated as:

Insurance	$ 135
Petrol	$ 1,000
Repairs	$ 150
Registration	$ 100
Total	$ 1,385

The cost of the car was $40,000 and its present market value is $30,000.

Revenue item adjustment

The value of the business use is:

$415.50 ($1,385 × 30%)

Capital item adjustment

The lesser of cost or market value is $30,000
The business use percentage is 30%
The general straight line depreciation rate is 21%

The value of the business use is:

$$\frac{\$30{,}000 \times 21\%}{6} \times 30\% = \$315$$

(6 = number of taxable periods)

The total business use adjustment is:

	$315.00
plus	$415.50
	$730.50

The adjustment David Angoliath shows on his IR 372 calculation sheet under "Business use of private or business exempt goods and services for annual or period-by-period adjustments" is $81.17 ($730.50 ÷ 9). He includes the total adjustments in Box 13 of his September 2008 GST return.

Annual adjustment

Example

In November 2007, David Angoliath contacted his tax agent to discuss his GST adjustment options. His agent advised him to cease making period-by-period adjustments. He explained that he would calculate David's annual adjustment at the time he prepared his 2008 income tax return. David's agent has an extension of time for filing David's 2008 income tax return until 30 September 2008. On 12 August 2008 David received a full breakdown of his annual GST adjustment for his car from his agent.

The figure was $456.96, which is one-ninth of the total of his business use. This was calculated using the capital and revenue adjustment method. This annual adjustment covers the period from 1 April 2007 to 31 March 2008.

David was aware he had already claimed some period-by-period adjustments in his GST returns for the periods ending May, July and September 2007. David referred to his working papers and established that he had claimed a total GST adjustment of $228 (one-ninth of $2,052) for the above periods. David must deduct what he has already claimed.

Annual adjustment (supplied by agent) less already claimed is:

$456.96 less $228 = $228.96

The annual adjustment David shows in his IR 372 calculation sheet under "Business use of private or exempt goods and services for annual adjustments" is $228.96.

He includes the total adjustments in Box 13 of his GST return for the period ending 30 September 2008.

Private assets used in business costing less than $18,000 (a one-off adjustment)

A one-off adjustment option is available:

- when there is a change in the use of an asset costing less than $18,000 from private to business, or
- when a private asset also costing less than $18,000 is acquired but is sometimes used for business.

This adjustment is calculated using these steps:

Step 1 Work out the percentage for taxable use —call this T.

Step 2 Purchase price or current market value whichever is lesser (compare the GST-inclusive cost for the item with the current market value). Call the lesser amount L.

Step 3 $L \times T$

Step 4 Divide the amount from Step 3 by 9. Include this amount in Box 13 of the GST return.

$$\frac{L \times T}{9}$$

Example

A farmer, Digby Field, buys a horse float for $15,000, intending to use it for 25% business and 75% private purposes. Its current market value is $12,000.

The adjustment is based on the business use: $12,000 × 25% is $3,000. The GST is $333.33 ($3,000 ÷ 9).

Digby Field includes $333.33 on his IR 372 calculation sheet, under "Private assets used for business costing less than $18,000 (a one-off adjustment)". He transfers the totals to Box 13 of his GST return. He makes this adjustment in the taxable period in which he bought the horse float.

Private assets used in business costing more than $18,000

You can apply in writing for a one-off input tax adjustment for assets costing over $18,000, where a 100% change of business use occurs, if:

- you've previously made one-off input tax adjustments
- you've elected to make one-off output tax adjustments for any previous changes from business to private use
- you can prove that making period-by-period or annual adjustments is impractical.

We also take into account the nature of goods and services, eg an asset retained for a number of years, such as property.

If we approve an application for a one-off input tax adjustment, and if the business use changes to private use, you must make a one-off output tax adjustment to reflect the private use.

Home office expenses

A number of businesses use an area set aside in the family home for work purposes. If you are doing this you may be able to claim GST on part of the costs of running your home. You must:

- set aside an area principally for business use, and
- keep full records of all expenses you wish to claim.

To calculate your GST adjustment you need to work out the percentage of the area that is used for work against the total area of your home.

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

Example

Anne T Sochelle has an office set aside in her private home. The office is 10 square metres of a 100 square metre house. The business percentage is 10%.

House expenses (GST-inclusive) for the taxable period were:

Rates	$ 500
Insurance (house)	$ 200
Electricity	$ 300
Total	$ 1,000

The value of the business use is $100 ($1,000 multiplied by 10%).

The adjustment to show on her *IR 372 calculation sheet* under "Business use of private/exempt goods and services for annual or period-by-period adjustments" is $11.11 ($100 ÷ 9). She transfers the totals to Box 13 of her GST return.

Telephone rental

If you have both a commercial and domestic line rental, you may claim the GST on the full cost of the commercial line. Include the commercial rental cost in Box 11 of your GST return. You can't claim any part of the domestic rental.

If you only have one telephone line rental that is used both for business and private purposes, you may claim GST on 50% of the cost. Show 50% of the rental in Box 11 of your GST return. This applies whether the line is commercial or domestic.

If you want to claim more than 50% of your rental, you 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 a factor in determining the overall business use. However, this can't be used as the sole evidence. Other factors considered are the type of business you are in and the number of people living in the house.

Note

Farmers may claim the full cost of telephone rental that is used for business and private purposes. Include the full rental in Box 11 of the GST return.

Business-related tolls

GST on business-related toll calls can be claimed in full.

Cellphones

If you have a cellphone that is intended for business use, you may claim GST on the total set-up cost.

If your cellphone is also used for private use, you can claim GST on the following running costs:

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

Assets kept after you cease to be registered

If you cease to be registered for GST and keep assets from your taxable activity, you must include the value of those assets in your final GST return.

The adjustment amount is one-ninth of the open (current) market value of the assets you have kept. If you acquired the asset before 1 October 1986, the value of the asset would be the lesser of cost price and the open market value.

Show the value of the asset on your IR 372 calculation sheet and include it in the total adjustments in Box 9 of your final GST return.

You must return the GST on the value of the asset regardless of your accounting basis.

You won't need to return the GST on the asset in the future. It doesn't matter what you do with the assets after you've filed your final return.

Example

Charlie Tango is a registered person who runs a taxi business. He retired on 30 August 2007 and kept his taxi for personal use.

The value of the asset is based on current market value is $15,000.

In his final GST return he included one-ninth of $15,000 ($1,666.66) in the total adjustments in Box 9, having transferred this amount from his IR 372 calculation sheet.

Where the retained assets were used principally for business purposes and private use adjustments were made, an apportionment is not made. GST is still calculated on the market value.

Where the retained assets were used principally for private purposes, and adjustments were made for the business use, GST is not accounted for. In this case, the value of the asset does not need to be included in your final return when you cease to be registered.

Change of accounting basis

If we approve your application to change from one GST accounting basis to another, we will write to tell you the date when the changeover begins. We will also send you a calculation of the adjustments you must make for outstanding debtors and creditors. See page 9 for more information on changing your accounting basis. All these adjustments should be recorded on your IR 372 calculation sheet under "Change in accounting basis" before including them in the corresponding Box (9 or 13) on your GST return.

From payments to invoice

When GST on debtors is more than GST on creditors, you must pay the difference. Include the amount in the total adjustments in Box 9 of your return.

If GST on creditors is higher, you'll get a credit for the GST, so include the difference in the total credit adjustments in Box 13 of your return.

From payments to hybrid

Calculate the GST on outstanding debtors and include the amount in the total adjustments in Box 9 of your return.

From invoice to payments

If GST on debtors is greater than GST on creditors, you will get a credit for the difference. Include the amount in the total credit adjustments in Box 13 of your return.

When the GST on creditors is higher, you must pay the difference. Include it in the total adjustments in Box 9 of your return.

From invoice to hybrid

Calculate the GST on the amount owed to creditors and include it in the total adjustments in Box 9 of your return.

From hybrid to payments

Calculate the GST on outstanding debtors and include it in the total credit adjustments in Box 13 of your return.

From hybrid to invoice

Calculate the GST on the amount owed to creditors and include it in the total credit adjustments in Box 13 of your return.

Goods and services used in making exempt supplies

Exempt supplies are goods and services which aren't subject to GST, and aren't included in your GST return. See page 41 for more details.

You'll need to make a GST adjustment for goods and services that are used to make exempt supplies if, over the next 12 months, your exempt supplies will be more than the lesser of:

- $90,000, or
- 5% of your total taxable and exempt supplies to be made in the 12-month period.

At the start of each taxable period check to see if you have to make this adjustment. See example in the next column.

Example

Helen Highwater Finance is adjusting office overheads as they include the cost of making exempt supplies. The company has a two-monthly taxable period.

Expected exempt supplies for 12 months	$ 85,000
Expected taxable supplies for 12 months	$ 370,000
Total supplies for 12 months	$ 455,000
5% of the total supplies	$ 22,750

The value of the exempt supplies is less than $90,000 but more than 5% of total supplies, so an adjustment is needed.

Helen Highwater Finance has to make an adjustment for the two-monthly taxable period.

Total exempt supplies for a two-month period is	$ 8,472
Total supplies for a two-month period is	$ 70,600

Adjustments

Use the figures from the example above to work out the revenue adjustment

Example

Step 1	Work out the percentage of exempt use for the period. $\frac{\text{Total value of exempt supplies for period}}{\text{Total value of all supplies for period}}$ = % of total supplies which are exempt	$\frac{\$\ 8,472}{\$70,600} = 12\%$ This is the percentage of exempt supplies using the turnover method (see page 56).
Step 2	Add up expenses for the two-month period and call this E.	The overheads to be adjusted for the two-month period are: Power $ 766 Telephone $ 565 $1,331
Step 3	Multiply E by the exempt percentage from Step 1.	$1,331 × 12% is $159.72
Step 4	Divide the amount from Step 3 by 9. This is the adjustment to show on the IR 372 calculation sheet under "Goods and services used in making exempt supplies for annual or period-by-period adjustments". Transfer the total to Box 9 of your GST return.	The adjustment Helen Highwater Finance shows on the IR 372 calculation sheet is $17.75 ($159.72 ÷ 9).

Capital items

For capital item adjustments you must first check whether your exempt supplies are over the threshold shown on page 68. If they aren't you don't need to make an adjustment.

If you do need to make an adjustment, follow the procedure below.

Example

Kaye Passer Holdings, a manufacturer with a one-month taxable period, buys a reinforced concrete building for $1 million (GST-inclusive). They will be supplying some financial services (exempt) from the building.

Expected exempt supplies for 12 months	$ 100,000
Expected taxable supplies for 12 months	$ 2,000,000
Total supplies for 12 months	$ 2,100,000
5% of the total supplies	$ 105,000
The value of the exempt supplies is less than 5% of total supplies but more than $90,000, so an adjustment is needed.	
Total exempt supplies for the period	$ 10,524
Total supplies for the period	$ 175,000

Capital adjustment

Use the figures from the example above to work out the capital adjustment

Example

Step 1	Work out the percentage of exempt use for the period.	$\frac{\$\ 10{,}524}{\$175{,}000} = 6\%$ This is the percentage of exempt supplies using the turnover method (see page 56).
Step 2	For the taxable period in question, take the lower of the cost or current market value of the goods to be adjusted for exempt supplies. Call this L.	The lesser of the cost or market value is $1,000,000.
Step 3	Find out the straight line depreciation rate for the asset. Call this S.	The general straight line depreciation rate for reinforced concrete buildings is 3%.
Step 4	$\frac{L \times S}{N} \times$ percentage of business use from Step 1. N is the number of taxable periods each year	$\frac{\$1{,}000{,}000 \times 3\%}{12} \times 6\% = \$150$
Step 5	Divide the amount from Step 4 by 9. This is the GST adjustment to show on the IR 372 calculation sheet under "Goods and services used in making exempt supplies for annual or period-by-period adjustments". Transfer the total to Box 9 of your GST return.	The adjustment for the partnership to show on Kaye Passer's calculation sheet is $16.66 ($150 ÷ 9).

Adjustments

Bad debts written off

If you make and account for a supply and later write all or part of the consideration off as a bad debt, you may make a credit adjustment in the period you write it off.

With the invoice and hybrid basis you account for a sale when you issue an invoice. If you don't receive payment and write the debt off, you can claim a deduction as you've already included the GST on the sale in a previous return.

With the payments basis you don't usually account for the GST on a sale until you actually receive payment. If you don't receive payment and write the debt off, you can't claim a deduction, as you've not included the GST on the sale in any return.

Note

For hire purchase agreements and door-to-door sales, you may make an adjustment if you use the payments basis. (See pages 46 and 49 for more information about these types of sales.)

Show one-ninth of the full amount you've written off on the IR 372 calculation sheet and include it in Box 13 of your return. You don't 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. This might include:

- debtors' ledger showing the date the invoice was issued
- letters from solicitor/debt collector trying to recover the debt
- bad debts ledger showing the write-off.

The debt(s) must be written off. You can't make a claim for provision for bad debts.

Example

Alec Trekewt, who uses the invoice basis, issues Owen Heaps with an invoice dated 26 August 2007 for electrical goods worth $135 (including GST). Alec accounts for the sale in the return for the period ending 31 August. In the following March, with no hope of receiving payment from Owen, Alec writes off $135 as a bad debt.

Alec shows $15 ($135 ÷ 9) on his IR 372 calculation sheet under "Bad debts written off" and includes it in Box 13 of his return for the taxable period ending 30 April 2008.

Bad debts when GST was not charged on the full supply

If the bad debt was for a supply when GST was not charged on the full price (such as the fifth week of a hotel stay, or a hire purchase sale), the GST adjustment is not simply one-ninth of the bad debt.

To calculate the amount to include in Box 13 of your return you will need to use this formula:

$$\frac{\text{Bad debt written off}}{\text{Total consideration}} \times \text{GST included in consideration}$$

Example

Laura-Lynn Hardie has been staying at the Comedy Hotel for six weeks. The total bill was $6,005.57. Ms Hardie leaves, still owing $1,000. Later the hotel writes the $1,000 off as a bad debt. $602.57 is the GST included in the total bill. In the return covering the time of the write-off they must make an adjustment:

$$\frac{\$\ 1{,}000}{\$\ 6{,}005.57} \times \$602.57 = \$100.33$$

Include $100.33 on the IR 372 calculation sheet under "Bad debts written off". Transfer the total to Box 13 of the 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 have to make an adjustment for the amount recovered.

Include one-ninth of the amount recovered in the IR 372 calculation sheet under "Bad debts written off" and in Box 9 of your return.

Example

S. Teddy Hand, a surgeon, who uses the invoice basis, has written off a bad debt of $2,500, and later recovers $1,600. Mr Hand must make an adjustment of $177.77 ($1,600 ÷ 9) at the time of recovery, even if he has since changed his accounting basis.

Barter

Sometimes, goods or services are exchanged for other goods or services, or for other goods or services plus money. This is called barter.

If the exchange is for other goods and services, you must account for one-ninth of the open (current) market value of whatever you received in return for your supply. Show it on the IR 372 calculation sheet in the "Other" box, and include it in the total in Box 9 of your return.

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

- one-ninth of the open (current) market value of the goods and services you received as an adjustment in Box 9 of your return, and
- the money received in Box 5 of your return.

This rule applies regardless of your accounting basis.

Sometimes, when you receive goods and services in full (or part-exchange) for your supplies, you and the other person work out a dollar value for the exchange. A common example would be trade-ins. In this case, you must include this agreed value, plus any money involved, in Box 5 of your return.

GST paid to, or invoiced by, the New Zealand Customs Service

The New Zealand Customs Service is responsible for the collection of GST on goods imported into New Zealand. GST is charged on:

- goods (apart from fine metal) entered and delivered for home consumption
- licensed goods entered for delivery to a manufacturing area.

The tax is charged on the landed value, including tariff duty where applicable, cost of freight and insurance incurred in bringing the goods to New Zealand.

Documents issued by Customs (eg a Customs import entry form C4, a Deferred payment of duty statement or Broker account statement) don't have to meet all the tax invoice requirements. These documents can be used to support a claim for a GST credit. Include the GST credit on your IR 372 calculation sheet under "GST content shown on Customs' invoices" and then transfer to Box 13 of your return. Remember, you must hold these supporting documents before you can make a claim.

Note

Don't include imported goods under total purchases and expenses (Box 11) of your GST return.

Invoice basis

Claim the GST content shown on the Customs' document in Box 13 of the return for the period you receive the invoice or make a payment.

Payments and hybrid basis

Claim the GST content shown on the Customs' document in Box 13 of the return for the period you make payment.

Note

If you would like to know more about GST on imported goods contact the New Zealand Customs Service on 0800 428 786.

Entertainment expenses

Business entertainment expenses are related to taxable income that are incurred in the course of running a business.

Private entertainment expenses, such as a restaurant lunch with friends, are non-deductible and GST can't be claimed.

Generally, only 50% of business entertainment expenses are deductible for income tax. See our *Entertainment expenses (IR 268)* booklet for full details on different types of entertainment.

This means that there must also be a GST adjustment of one-ninth of the amount which is non-deductible for income tax.

During the year you continue to show your total business entertainment expenses in Box 11 to claim a GST credit.

The GST adjustment will be made once a year.

Exactly when you make the adjustment depends on whether a tax agent prepares your income tax return.

If you don't have a tax agent, you make the adjustment in the GST return that covers the date your income tax return is due or filed, whichever is the earlier date.

If you have a tax agent, you make the adjustment in the GST return which covers the earlier of:

- the date your income tax return is filed, or
- 31 March after the due date for your income tax return.

For example, if your 2007 tax return is due on 7 July 2007 and you don't have a tax agent, you need to make your GST adjustment in the GST return which covers that date.

However, if you have a tax agent who has an extension of time to file your 2007 return, eg until 30 September 2008, you'll make the adjustment in the GST period which covers the date your income tax return was actually filed.

Example

The only entertainment expense incurred in the 2007 tax year was a business lunch for clients. The lunch cost, including GST, was $225.

The income tax return for the year ending 31 March 2007 is filed on 7 July 2007, and the business files six-monthly GST returns for the periods ended April and October.

The adjustment would be made in the GST return for the six months ending 31 October 2007. The whole $225 would have been included in Box 11 of an earlier GST return to claim the GST credit.

Amount of expense	$ 225.00
Subtract GST (one-ninth)	$ 25.00
GST-exclusive amount	$ 200.00
Amount not deductible for income tax (50%)	$ 100.00
GST adjustment is one-ninth of non-deductible amount	$ 11.11

$11.11 would be included on the IR 372 calculation sheet under "Entertainment expenses" and in the adjustments total in Box 9 of the GST return for the period ending 31 October 2007.

If an employee makes a contribution towards the expense, this is treated as a separate supply for GST purposes. Include the total expense amount in Box 11 as usual and show the employee contribution in Box 5.

Because the GST adjustment is based on the amount which isn't deductible for income tax, organisations which aren't liable for income tax don't need to make this adjustment. This would mainly apply to non-profit bodies and charities.

GST on fringe benefits

GST on fringe benefits is also an adjustment, but it's entered separately on the fringe benefit tax return. This adjustment applies to registered persons who are employers and are liable for fringe benefit tax (FBT). An example is a company whose shareholder-employees use its assets for private purposes.

The GST on fringe benefits adjustment is made in the FBT return period in which the benefits are provided.

Step 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.)

Step 2 Subtract the value of any benefits which are exempt or zero-rated supplies for GST. The most common ones would be:
- low-interest loans
- other financial services
- international travel
- contributions to employee superannuation and life insurance policies.

The result is the fringe benefits which are liable for GST.

Step 3 Divide the result from Step 2 by 9. This is the GST adjustment to include in your FBT return. Include this adjustment in:
- Box 7 of the quarterly FBT return (IR 420) for quarterly filers
- Box 6 of the annual FBT return (IR 422) for annual filers
- Box 6 of the income year FBT return (IR 421) for income year filers.

Example

Details of taxable benefits for FBT quarter ended 31 March 2007:

Motor vehicles	$2,605
Low-interest loans	$ 425
Magazine and newspaper subscriptions	$ 52
Subsidy on employee's honeymoon trip to Fiji	$ 600
Total	$3,682

The 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 Fiji honeymoon are not included because loans are exempt supplies and international travel is a zero-rated supply.

The GST adjustment to include in Box 7 of the FBT return for the quarter ended 31 March 2007 is $295.22 ($2,657 ÷ 9). The adjustment amount is payable at the same time as the underlying FBT for the March quarter (ie 31 May 2007).

If an employee makes a payment directly 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 directly to the employer. The $100 should be added to the sales in Box 5 of the GST return. The GST to pay on the $100 is $11.11.

Part 6 – Penalties and interest

GST-registered persons are responsible for complying with the various Inland Revenue Acts. You may face penalties and interest if you don't meet the obligations set out in those Acts.

If you would like more information about obligations, penalties and interest, see our booklet *Taxpayer obligations, interest and penalties (IR 240)*.

Late filing penalty

By law you must file your GST returns on time. From 1 April 2008, if you don't file your GST return (GST 101 or GST 103) by the due date, you may have to pay a late filing penalty.

The late filing penalty is:

- $50 for each late GST return on the payments accounting basis
- $250 for each late GST return on the invoice or hybrid basis.

We'll send you a statement advising you of the late filing penalty and the due date for paying it. Late payment penalties and interest are also charged on late filing penalties which aren't paid by the due date.

Late payment penalties

We will charge you interest if you don't make your tax payment by the due date. We will also charge you a late payment penalty if you miss a payment, but if you have a good payment history with us we may contact you before we do this.

Otherwise, we will charge an initial 1% late payment penalty on the day after the due date. We will charge a further 4% penalty if there is still an amount of unpaid tax (including penalties) seven days after the due date.

Every month the amount owing remains unpaid after the due date a further 1% incremental penalty will be charged.

Interest and late payment penalties are not charged on outstanding amounts of $100 or less.

Arrangements

If you're unable to pay your tax by the due date, please call us. We'll look at your payment options which may include an instalment arrangement, depending on your circumstances. Arrangements can be agreed upon before or after the due date for payment. However, there are greater reductions in the penalties charged if the arrangement is made before the due date.

Interest rules

Interest applies when you either overpay or underpay the amount that is due.

If you overpay the amount due we'll generally pay you interest from the day after the original due date (within certain rules—see page 33).

If you underpay the amount due we'll charge interest on the amount that is still outstanding from the day after the original due date.

The current interest rates are:

- 6.66% for overpayments
- 14.24% for underpayments

These rates vary from time to time. To check the current rates, call us on 0800 377 776.

Offences and penalties

Any registered person who doesn't comply with the tax laws commits an offence and may be convicted.

Conviction may result in:

- a fine of up to $50,000 and/or
- a prison term of up to five years.

Offences include:

- not registering when you're required to
- failing to file returns, keep records, or supply information and invoices
- failing to issue a tax invoice within 28 days of being requested to do so
- supplying false information on your returns, invoices, records and anywhere else in connection with your tax affairs
- obstructing any Inland Revenue officer
- failing to deduct and/or account for money owed by a registered person when you're required to do so
- using money collected to pay GST for other purposes
- conspiring with anyone else to commit any offences against the Goods and Services Tax Act 1985.

Publishing the names of tax evaders

We publish the names of people convicted of certain offences in the *New Zealand Gazette*. If the person voluntarily gives information about the offence before any investigation, their name may not be published, but that depends on when the information is disclosed.

Shortfall penalties

Shortfall penalties are charged on top of any tax, late filing penalties, late payment penalties and interest that may already be payable. The penalty is charged on the amount of any understatement of tax or tax shortfall. There are five categories of fault, each carrying a standard penalty (as a percentage of the tax shortfall):

– lack of reasonable care	20%
– unacceptable tax position	20%
– gross carelessness	40%
– abusive tax position	100%
– evasion	150%

In some circumstances penalties can be reduced by 50%. In addition to these penalties, there could be fines charged and/or imprisonment of up to five years.

Voluntary disclosure

If there's any omission or error in your GST affairs, you should tell us about it. We may still charge shortfall penalties however if you tell us before we notify you of an audit or investigation we may reduce these.

If you'd like to know more about this, read our booklet *Putting your tax returns right (IR 280)*.

If you disagree

On occasions you may disagree with our views or actions. You should use our disputes resolution process if you:

- think an adjustment or assessment is wrong, or
- disagree with our *Notice of proposed adjustment (IR 770)*.

There are rules and time limits governing this process. For more information read our factsheet *If you disagree with an assessment (IR 778)*.

Audits

Every GST-registered person can expect to be audited from time to time. This involves our staff checking the business's GST records against the returns filed to make sure that the returns are correctly completed.

You must keep all financial records of your taxable activity for seven years. We may ask you to keep your records for an additional three years when auditing or investigating you. Failing to keep adequate GST records is a very serious matter and can result in a fine.

If you want to know more about audit procedures, read our booklet *Inland Revenue audits (IR 297)*.

Part 7 – Services

INFOexpress

INFOexpress is our automated phone service. You can order publications and request personal tax summaries using our natural language speech recognition system. This lets you use your voice instead of keying in numbers on the phone keypad. For all other services you'll need to use a touch tone phone and key in numbers for options.

Remember to have your IRD number with you when you call.

It's also helpful if you know the number or name of any publications you're ordering. For personal information, such as account balances, you'll also need an INFOexpress personal identification number (PIN). You can get a PIN by calling 0800 257 777 and following the step-by-step instructions.

You can call INFOexpress for the following services between 6 am and 12 midnight, seven days a week:

- Order publications (speech recognition) 0800 257 773
- Request a personal tax summary (speech recognition) 0800 257 444
- Confirm a personal tax summary (speech recognition) 0800 257 771
- Request a taxpack 0800 257 772
- Request a summary of earnings 0800 257 778
- All other services 0800 257 777

How to contact us

We're available from 8 am to 8 pm Monday to Friday and 9 am to 1 pm Saturday on the following numbers. Remember to have your IRD number handy.

Employer enquiries	0800 377 772
General business tax enquiries	0800 377 774
Overdue returns	0800 377 771
Payment options for overdue tax	0800 377 771
Refunds and tax credits	0800 377 774

Customer service quality monitoring

As part of our commitment to providing the best possible service to our customers, Inland Revenue records all phone calls answered in, and made by, our permanent call centres. For further information about our call recording policy and how you can access y°our recorded information, please go to www.ird.govt.nz or call us on 0800 227 774 (or 0800 377 774 for business customers).

Large Enterprises

Inland Revenue Large Enterprises is responsible for businesses with a group turnover of greater than $100 million, as well as those involved in industries where specific legislation applies.

They include:

- banking and finance
- insurance and superannuation
- oil and mineral industries
- primary producers
- public and local authorities
- state owned enterprises
- non-resident contracts
- manufacturing and exporting
- forestry and fishing
- transport and technology
- non-resident entertainers

For any GST enquiries call us on 0800 443 773.

Services

*formerly rebate

Non-resident contractors

If you are based overseas and considering contracting in New Zealand, contact our Non-resident Contractors Team in Wellington:

Phone 64 04 890 3056
Fax 64 04 890 4510

Or you can write to:

Non Resident Contractors Team
Inland Revenue Department
Private Bag 39984
Wellington 5045
New Zealand

Non-resident entertainers

Entertainers and sportspeople who want to perform publicly should contact our Non-resident Entertainers Team in Auckland:

Phone 64 09 984 4329
Fax 64 09 984 3082

Or you can write to:

PO Box 5542
Wellesley Street
Auckland 1141
New Zealand

Electronic filing

You can file your GST returns online at www.ird.govt.nz instead of filing a paper return. The panel numbers on the online return are the same as those on the paper return, but it can do the calculations for you and work out the end result.

The benefits of using the online filing service include:

- any refund will usually be paid faster, subject to normal checks
- payment can be made electronically through all trading banks
- the electronic return arrives at Inland Revenue the same day you send it.

Business tax information service and kaitakawaenga Māori

Business tax information officers (BTIOs) offer a free business tax information service to new businesses and organisations to help them meet their tax responsibilities. This service is available to individuals and groups.

Most of our offices also have a kaitakawaenga Māori who can advise Māori organisations and individuals on their tax responsibilities. Our BTIOs and kaitakawaenga Māori will tell you:

- which taxes you need to know about
- what records you need to keep
- how to complete your tax returns (eg, GST and employer returns)
- when to file returns and make payments.

Find out more about these services or arrange an appointment by going to www.ird.govt.nz or calling us on 0800 377 774.

GST News

We publish this newsletter twice a year, in March and September. It covers tax changes and topical issues relating to GST. Most of you will receive your copy of the newsletter with your return. If you'd like to receive a copy of *GST News*, please call us on 0800 377 776.

Tax Information Bulletin (TIB)

The *TIB* is our monthly publication containing detailed technical information about all tax changes. You can find it on our website.

Privacy

Meeting your tax obligations involves giving accurate information to Inland Revenue. We ask you for information so we can assess your liabilities and entitlements under the Acts we administer.

You must, by law, give us this information. Penalties may apply if you do not.

We may exchange information about you with the Ministry of Social Development, Ministry of Justice, Department of Labour, Ministry of Education, New Zealand Customs Service, Accident Compensation Corporation or their contracted agencies. Information may be provided to overseas countries with which New Zealand has an information supply agreement. Inland Revenue also has an agreement to supply information to Statistics New Zealand for statistical purposes only.

You may ask to see the personal information we hold about you by calling us on 0800 377 774. Unless we have a lawful reason for withholding the information, we will show it to you and correct any errors.

If you have a complaint about our service

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

If you have a complaint, the quickest and easiest way to resolve it is usually with the staff member you've been dealing with. If you're not satisfied, ask to speak to their manager.

If you're still not satisfied, we have a Complaints Management Service that can take a fresh look at your complaint. You can go to www.ird.govt.nz or call us on 0800 274 138 between 8 am and 5 pm weekdays, or put your complaint in writing and send it to:

Complaints Management Service
Inland Revenue
PO Box 1072
Wellington 6140

If you disagree with how your tax has been assessed, you may need to follow a formal disputes process. For more information, read our factsheet *If you disagree with an assessment (IR 778)*.

Publications

These publications contain more information. You can get them from www.ird.govt.nz or order copies through INFOexpress—see page 77.

Charitable organisations (IR 255)

A tax guide for administering or setting up a charitable trust, estate, society, association or any other type of charitable organisation.

Depreciation (IR 260)

How businesses claim depreciation on their assets.

General depreciation rates (IR 265)

The current general depreciation rates.

Historic depreciation rates (IR 267)

For assets acquired before 1 April 1993. Only available online.

If you disagree with an assessment (IR 778)

Read this factsheet if you're considering disputing an assessment. You'll find full details of the process in our booklet *Disputing an assessment (IR 776)*.

Education centres (IR 253)

Explains the tax responsibilities of schools and other education centres—from kindergartens, creches and kohanga reo to schools, polytechnics and universities.

Employer's guide (IR 335)

Information you'll need to help you meet your responsibilities as an employer (everyone who registers as an employer gets a copy).

Entertainment expenses (IR 268)

A guide to help businesses understand the rules for claiming business entertainment expenses.

Fringe benefit tax guide (IR 409)

A guide to the fringe benefit tax responsibilities of employers, or companies who have shareholder-employees.

GST – do you need to register? (IR 365)

This is an introduction to goods and services tax (GST). Also tells you if you have to register for GST.

Inland Revenue audits (IR 297)

What is likely to be involved if you're audited by Inland Revenue, who is likely to be audited, your rights during and after the audit and what happens once an audit is completed.

ir-File – electronic filing (IR 317)

Explains how employers, tax agents and payroll bureaus can register and use ir-File for electronic employer monthly schedule filing.

Making payments (IR 584)

How to pay your tax or child support payments, the information needed to process your payments quickly and efficiently, and when to pay.

Payments and gifts in the Māori community (IR 278)

When to tax payments and gifts in the Māori community, including income tax and GST.

Provisional tax guide (IR 289)

Tells you what provisional tax is and how and when it must be paid.

Putting your tax returns right (IR 280)

How to tell Inland Revenue what's wrong with your tax returns and how to put them right.

Smart business (IR 320)

A guide to tax responsibilities, record keeping, income and expenses for businesses and non-profit organisations.

Taxpayer obligations, interest and penalties (IR 240)

A guide to help business people, and people with business interests meet their legal obligations as taxpayers.

Glossary

Associated persons

These are:

- companies controlled by the same persons
- companies and persons with a 25% or greater interest in the company
- partnerships, partners and associates of 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
- 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.

Note

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.

Commercial dwelling

Commercial dwellings are:

- hotels, motels, inns, hostels or boarding houses
- camping grounds
- convalescent homes, nursing homes, resthomes or hospices
- any similar establishment
- any part of a hospital that is a "residential establishment"—see page 84.

Commercial dwellings don't include:

- any part of a hospital that is not a "residential establishment"
- any dwelling within a retirement village or rest home, where rent is paid to occupy the dwelling.

Consideration

For GST, the term consideration has a wider meaning than the common usage.

It includes any amount paid, or any act, or forbearance, in return for a supply of goods or services.

- It need not be "compulsory".
- It need not be in money (such as barter).
- It may be a promise not to do something, for example, in return for goods, a creditor may agree not to pursue a debt.
- It may be an incentive offered to induce a supply.
- It may be paid by someone else, eg a parent pays for a child's haircut.

It doesn't include unconditional gifts made to non-profit bodies if the donor doesn't receive a direct benefit, eg street appeals or bequests.

Domestic goods and services

The supply of domestic goods and services gives the right to occupy all or part of any commercial dwelling. It includes:

- cleaning and maintenance
- electricity, gas, air-conditioning or heating
- telephone (not tolls), television, radio or similar chattels, where they are provided as part of the right of occupation.

Dwelling

A dwelling is any building or other place used mainly as a residence. It includes the surrounding land and fittings such as garage and paths, but doesn't include a commercial dwelling.

Glossary

Financial planning fees

For the purposes of GST, financial planning fees, charged by financial advisors for services provided in planning, implementing and monitoring investment portfolios for their investor clients, are generally separated into seven categories.

- "Initial planning fees" are fees for services provided by the advisor for the initial interview, where the investor and the advisor discuss the investor's investment goals, savings objectives and other requirements. This category includes preparation of a draft portfolio plan for the investor and further discussions and adjustments to the draft plan that may follow until it is acceptable to the investor. Services relating to initial planning fees are subject to GST as they aren't a "financial service".
- "Implementation fees" are for services associated with implementing the portfolio plan devised in the category above. They will include any one-off upfront fees or other charges made for services by advisors, administrators, executors, fund managers and so on, to purchase or acquire the investments. They also include payments to custodians on implementation of the plan or charges by fund managers for entry into investments. Services relating to implementation fees come under the definition of "Financial services" for GST purposes.
- "Administration fees" are for services in maintaining records of the investor's transactions with the advisor, and the costs of that. This category also includes charges relating to the handling of cash for the investor, and other administration fees and any commissions charged for collecting income from investments and arranging payment or crediting to the investor. Services relating to administration fees come under the definition of "Financial services" for GST purposes.
- "Monitoring fees" are annual charges for services in monitoring and relaying information to the investor on the performance of the portfolio (including the performance of the fund managers and the advisor) in terms of the investor's goals. Services relating to monitoring fees are subject to GST as they aren't a "financial service".
- "Evaluation fees" are for services relating to an evaluation of an existing portfolio involving a more detailed examination of performance of the portfolio than simply monitoring and reporting to the client. It may result in a recommendation from the advisor to make changes to investments within the portfolio to maintain the investor's aims. Services relating to evaluation fees are subject to GST as they aren't a "financial service".
- "Replanning fees" are for services relating to the replanning of a portfolio sometimes due to changes to the investor's objectives arising from the evaluation services in the preceding category. Replanning fees could also be for advice by an advisor to a new client who had previously self-managed a portfolio or who had previously engaged a different advisor. Included in this category are any other fees for services as described in the initial planning fees category above, when there has been a complete restructuring of investments. Services relating to replanning fees are subject to GST as they aren't "Financial services".
- "Switching fees" are for services and costs involved in selling existing investments and/ or purchasing new investments, or otherwise changing or withdrawing investments, arising from a recommendation by the advisor relating to services in either of the preceding two categories. Services relating to switching fees come under the definition of "financial service" (see page 82) for GST purposes.

If financial planners charge a global fee, it will be necessary for that fee to be apportioned between the categories, based on the particular services provided for the fee, to ensure the fees and services are correctly treated.

Financial services

Financial services include the activities of:

- exchanging currency (eg changing $US into $NZ)
- issuing and using cheques and letters of credit and all associated activities
- depositing money with, or withdrawing money from, financial institutions, operating bill facilities and trading debt securities, and all associated activities
- paying or collecting interest, principal, dividends or other amount of any debt, equity, or participatory security, credit contract, contract of life insurance or superannuation scheme
- providing financial options
- providing credit under a credit contract, such as providing money or money's worth on a credit basis where interest is charged

- issuing, allotting or transferring of ownership of shares in a company other than a flat-owning or office-owning company
- providing or transferring ownership of a life insurance contract or the provision of reinsurance in respect of any such contract
- providing or transferring ownership of an interest in a superannuation scheme or the management of a superannuation scheme
- in general terms underwriting or sub-underwriting renewals or variations of all activities relating to, or guaranteeing any of the above activities.
- providing or assigning a futures contract on a defined market or on arm's length terms if it is:
  - a non-deliverable futures contract, or
  - a deliverable futures contract for money, or
  - a deliverable futures contract for an exempt commodity.

Financial services don't include:

- advising on the above activities
- debt collection services provided by a third party.

Goods

For GST, goods has a broad meaning. It includes all kinds of personal or real property. It doesn't include choses in action, money or a product transmitted by a non-resident to a resident by means of a wire, cable, radio, optical or other electromagnetic system or by a similar technical system.

Input tax

When a registered person buys goods or services to use in a taxable activity, the GST portion of the price is called input tax. This is a legal term. Throughout this guide we have usually called it a GST credit. It includes:

- the GST on imported goods and services, and goods held in bond
- one-ninth of the cash price of secondhand goods bought for the business from:
  - a non-registered person, or
  - a registered person where the goods aren't part of their business. (This excludes goods from a supplier who isn't resident in New Zealand and has previously supplied the goods to a registered person who entered the goods for home consumption under the Customs and Excise Act 1996.)

Note

If the seller and buyer are associated persons, the consideration for secondhand goods is the lesser of one of the following:

- the GST component (if any) of the original cost of the goods to the supplier, or
- one-ninth of the purchase price, or
- one-ninth of the open (current) market value.

Market value

Market value is the amount that similar goods would cost at the same time in New Zealand if the transaction was not between associated persons. It is GST-inclusive.

Non-profit body

A non-profit body is any society, association or organisation, whether incorporated or not, that is not carried on for the profit or gain of any member, and whose rules don't allow money or property to be distributed to any of its members.

Non-resident

A non-resident means a person who isn't resident in New Zealand.

Open (current) market value

The open (current) market value is:

- the consideration that the goods or services would fetch between unassociated persons, in similar circumstances, at that time, in New Zealand, or
- the value of a "similar supply", in New Zealand, between unassociated persons, or
- a true assessment of the price of the goods and services, using a method we approve.

A "similar supply" is a supply of goods and services with the same (or very close) characteristics, quantity, quality, functional components, materials and reputation, as the original supply.

Output tax

Output tax is the legal term for GST charged by a registered person on goods and services supplied in a taxable activity. Throughout this guide we've called it GST payable or GST collected.

Person

For the purposes of GST, a person is:

- an individual (natural person)
- a company
- an incorporated club or society
- an unincorporated club, society, or body of people
- a joint venture
- a trustee of a trust
- a trustee of an estate
- a public or local authority
- a partnership.

Public authority

A public authority includes all government departments, agencies and corporations but not:

- the Governor-General
- members of the Executive Council
- ministers of the Crown or members of parliament.

Registered person

A registered person is anyone who is registered or is liable to be registered for GST under the Goods and Services Tax Act 1985. Registered persons must charge and collect GST, file returns, and account for GST to Inland Revenue.

Resident in New Zealand

The tax laws state who is a New Zealand resident for tax purposes. Our booklet *New Zealand tax residence (IR 292)* explains these laws.

Residential establishment

A residential establishment is a commercial dwelling that specialises in long-term stays such as school and university hostels, boarding houses, hospices and resthomes. Of the people staying there 70% or more must stay, or be expected to stay, for four weeks or more. It also includes hospitals with long-term accommodation, such as geriatric wards.

Services

"Services" covers everything other than goods or money, for example, TV repairs, doctor's services and gardening services. Together, goods and services are all things which can be supplied for a consideration.

Tax payable

The tax payable is worked out by deducting GST credits (input tax) from GST collected (output tax) on the GST return. It also includes refunds of GST payable by us.

We'll work out the tax payable in any of the following situations, if:

- a person doesn't file a GST return
- a person asks for a return to be altered
- we aren't satisfied with the return
- a non-registered person charges GST on a supply.

Tax payable includes any late payment penalties and interest charged.

Taxable activity

A taxable activity is any activity carried on continuously or regularly. It must supply (or intend to supply) goods and services to others for a consideration, but not necessarily for profit. It can also include receiving imported services.

Any activity carried on in the form of a business, trade, manufacture, profession, vocation, association or club can be a "taxable activity".

The activities of public and local authorities are taxable activities.

Setting up in business is part of the taxable activity, as is the closing down and sale of a business.

Taxable activities don't include:

- employment as a salary or wage earner, or as a company director (wages, salaries and directors' fees aren't subject to GST)
- hobby activities, or any private recreational pursuit, whether carried on by an individual or any other person
- the occasional sale of domestic or household articles, furnishings, personal effects or private motor vehicles
- making exempt supplies.

Taxable period

A taxable period is the length of time covered by a GST return. It may be one, two or six months. Taxable periods end on the last day of the month.

Taxable supply

A taxable supply is any supply of goods or services made after 1 October 1986, by a registered person in a taxable activity in New Zealand. It is subject to GST at 12.5% or 0% (zero-rated supplies).

Time of supply

The time of supply is the time when a supply is to be treated as being made for GST purposes.

The general rule is that a supply is considered to take place at the earlier of the time an invoice is issued or the time any payment is received by the supplier.

Trustee

This includes an executor and administrator as well as the Public Trustee and the Māori Trustee.

Unconditional gift

An unconditional gift is a donation or payment made:

- voluntarily to any non-profit body, and
- for the non-profit body to use, and
- when there is no identifiable direct valuable benefit to the giver, or the family of the giver.

Some unconditional gifts are:

- donations
- door-to-door appeals and street collections
- bequests
- voluntary school fees.

Subscriptions, income from trading activities, and payments made by the Crown or a public authority aren't unconditional gifts for GST purposes.

Working day

Means any day of the week other than:

- Saturday, Sunday, Good Friday, Easter Monday, ANZAC Day, Labour Day, the Sovereign's Birthday, Waitangi Day, and
- any day between (and including) 25 December in one year and 15 January in the following year.

Zero rating

Certain goods and services are liable for GST at 0%.

The zero rating applies to goods and services, not to the registered person who supplies them. Zero-rated supplies are explained on pages 37 to 41.

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