

# GST Facts

**What is GST?** GST is a tax that applies to the supply of goods and services, referred to as a taxable supply. Taxable supplies are goods and services a GST registered person supplies (or intends to supply) to others for consideration (i.e. money) as part of their taxable activity.

## What is a taxable activity?

A 'taxable activity' is an activity carried out continuously or regularly that involves (or intended to involve) a supply to others in exchange for consideration. You need to be carrying out a taxable activity to register for GST.

## How much GST should I charge?

The standard GST rate of 15% is generally applied on the supply of goods and services in New Zealand and on imported goods. Although, some supplies are taxed at 0% (zero-rated supplies) and other supplies are exempt from tax (not subject to GST).

## What can you claim GST on?

You can claim GST (input tax) if you are a registered person who has paid GST on goods and services related to your taxable activity and you hold a tax invoice. If you purchase goods or services from an un-registered person you may claim GST input tax if the goods and services are classed as second-hand goods.

Some limitations apply if you have purchased goods from an associated party.

## When to register?

You must register for GST if your annual turnover (gross income) is or expected to be greater than \$60,000 per annum. However, if your annual turnover is below \$60,000, you may choose to register for GST voluntarily if you are carrying on a taxable activity.

## Accounting Basis

There are 3 accounting basis available for you to choose from. These methods determine when GST output and input are taken into account for calculating tax payable. Methods include invoice (default), payment and hybrid basis.

### *Invoice basis*

Under the invoice basis, GST needs to be accounted for at the time of supply.

The time of supply is the earlier of:

- The time an invoice is issued by the supplier or the recipient, or;
- The time **any** payment is received by a supplier

### *Payments basis*

Under the payment basis, GST is taken into account when you've made or received payment. Meaning that you will only pay GST when you've been paid and only claim GST for expenses you've paid for.

### *Hybrid basis*

Hybrid basis is a combination of payment and invoice methods where GST output is accounted for using the invoice basis and GST input using the payment basis. This method is available to any registered person.

## Non-residents

Non-residents who carry on a taxable activity in New Zealand are also required to register for GST.

If you are a non-resident who are not making taxable supplies or carrying out a taxable activity in New Zealand, you may be eligible to register for GST in some instances. This will allow you to claim GST input tax in broadly the same manner as comparable to New Zealand businesses.

Non-resident businesses that supply remote services from outside of New Zealand to New Zealand resident customers may be required to register for GST, subject to certain exceptions.

## Paying and Filing GST

Once you are registered, you must account for GST on all taxable supplies at 15%, except for exempt and zero-rated supplies. GST is collected by a registered person and returned to the IRD or NZ Custom Service for imported goods.

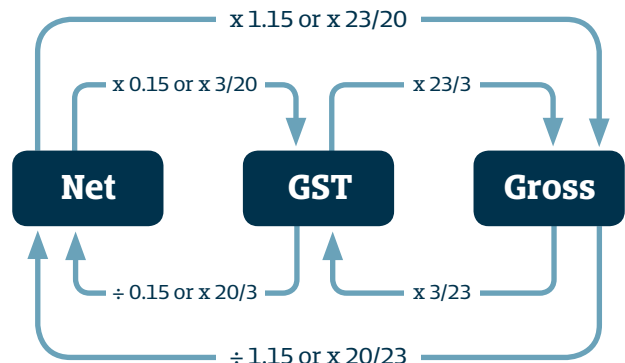
GST is due on the 28th of the month following the end of your GST return month (taxable period). You can choose your taxable period that suits you from the following options: monthly, two-monthly and six-monthly.

You may choose the six-monthly option if your taxable supplies are less than \$500,000 in the last year and is unlikely to exceed this amount in the following year.

The difference between the amount of GST paid and the amount of GST collected needs to be calculated. If the amount of GST paid exceeds the amount of GST collected, you will receive a GST refund. Alternatively, you will have to pay GST to the IRD by the due date if the amount of GST collected is higher than the amount of GST paid.

## How do I work out the GST?

To calculate the GST component of a GST inclusive price, multiply the GST inclusive price by  $3/23$  and a GST exclusive price can be calculated by dividing the GST inclusive price by  $23/20$  or  $1.15$ . To include GST in a price, multiply the GST-exclusive price by 15%.



## Example:

Michael purchased a \$23,000 piece of machinery (GST inclusive). GST is equal to  $\$23,000 \times 3/23 = \$3,000$ . GST exclusive price is  $\$23,000/1.15 = \$20,000$

Robyn purchased a \$10,000 worth of stock (GST exclusive). GST inclusive price is equal to  $= \$10,000 \times 1.15 = \$11,500$ . GST is equal to  $\$10,000 \times 0.15 = \$1,500$

## Recent proposal

The government announced proposals to require offshore suppliers to be registered for GST on low-value imported goods value at or under \$1,000 supplied in New Zealand. This rule is intended to apply to supplies made on or after 1 October 2019.

# PolsonHiggs

Business advisors

139 Moray Place, Dunedin 9016  
PO Box 5346, Dunedin 9058  
Phone 03 477 9923

**ph.co.nz**

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