

Business Basics

GST BASICS

Goods and services tax (GST) is a 15% tax added to the price of most goods and services in New Zealand, including most imported goods and some imported services. Most activities that supply (or intend to supply) goods and services to others for payment are deemed to be taxable activities. Taxable activities do not include working for wages/salary, hobbies and private recreational activities, or occasionally selling a personal item.

How GST Works

If your business is registered for GST, you must charge GST on your sales and income and claim back GST on your purchases and expenses. You must periodically complete GST returns, which calculate whether you have GST to pay or be refunded for that filing period. Businesses not registered for GST cannot charge GST on sales and income or claim it back on their purchases and expenses.

Registering For GST

You can voluntarily register for GST if you are in business.

It is compulsory to register if you are in business and you fall under any of the following three categories:

1. Your turnover (excluding GST) for the previous 12 months was more than \$60,000; *or*
2. You expect your turnover (excluding GST) for the current month and the next 11 months to be more than \$60,000 in total; *or*
3. GST is included in your prices.

Note that if you provide goods, services or leased assets to associated parties, these are deemed to be provided at market value and this can cause the \$60,000 threshold to be met.

Once you are registered for GST you must charge 15% GST on your sales and income (except for any exempt supplies) and pay GST on your purchases and expenses. You must issue tax invoices within 28 days and keep tax invoices and receipts for all goods and services you purchase for your business. You must file regular GST returns - even if you have no income or expenses for that period. You must also keep your records and paperwork supporting your calculations for a period of seven years.

Exempt Supplies

GST can not be charged on some goods and services. The most common exempt supplies are rent on residential properties, interest received, donations and financial services. Exempt supplies should not be included in your GST return.

Zero-rated Supplies

Certain supplies are taxed at the rate of 0%, rather than at 15%. All zero-rated supplies must be included in your GST return along with your total taxable supplies. Zero-rated supplies can include duty-free goods, some exported goods and services, land transactions, and the transport of goods and people to and from New Zealand.



Frequency of Filing

When it comes to filing your GST returns with IRD, there are three options available.

1. **Monthly:** GST returns are completed every month. This option is available to anyone, but it must be adopted if annual turnover is, or likely to be, over \$24 million in any 12 month period. Monthly return filing is also suitable if claiming regular GST refunds, for example if you are an exporter.
2. **Two-monthly:** GST returns are completed every two months. This option is available to anyone. You can choose to file your GST return on odd or even months.
3. **Six-monthly:** GST returns are completed for six monthly periods. This option is only available if:
 - a. Your turnover (excluding GST) in the last 12 months was less than \$500,000; *or*
 - b. Your turnover (excluding GST) in the next 12 months is likely to be less than \$500,000.This option is more suitable for smaller businesses with fewer transactions.

Accounting Basis for Returning/Claiming GST

The accounting basis is the method you use for claiming and returning (“accounting”) your GST. Generally at the time you register for GST you will select from one of three options to use as your accounting basis. You should choose the accounting basis that best suits your business. If you want to change your accounting basis after you have registered you must put your request in writing to IRD.

Payments Basis

GST is returned or claimed in the period when you receive or make payment. This option is only available if:

- Your turnover in the last 12 months was \$2 million or less; *or*
- Your turnover in the next 12 months is not likely to be more than \$2 million.

Invoice Basis

GST is returned when you issue an invoice to your customers or receive payment, whichever happens first. GST is claimed when you receive an invoice from your suppliers. This option is available to anyone.

Hybrid Basis

GST is returned on income using invoice basis, and GST is claimed on expenses using payments basis. This option is available to anyone but is not very commonly used as it can potentially get quite complicated.

Submitting Your GST Returns

IRD will notify you when a GST return is due, showing the due date for filing and making payment. You can complete and submit your GST return in myIR or through your accounting software. The due date is the 28th of the month following the end of your taxable period, with the following exceptions:

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

Cancelling Your GST Registration

You can cancel your GST registration if you dispose of your business or scale it down so your annual turnover is less than \$60,000. This can be actioned through myIR when you file your final GST return.