

GOODS AND SERVICES TAX (GST)

Here's what you need to know to get a basic understanding of GST.

Taxable activities

Most activities carried on continuously or regularly that supply (or intend to supply) goods and services to others for payment, are taxable activities. You need to carry out a taxable activity to register for GST.

Taxable activities don't include:

- Working for salary or wages
- Hobbies or private recreational pursuits
- Selling the occasional domestic or private item
- Making GST-exempt supplies.

Taxable supplies

The goods and services you continuously or regularly supply (or intend to supply) to others for payment are your taxable supplies.

GST Registration

You must register for GST

If you carry on a taxable activity and your turnover (gross income) for the last 12 months was \$60,000 or more, or if GST is included in your prices, you must register for GST.

- **You may register for GST voluntarily**
If you carry on a taxable activity and your annual turnover is under \$60,000, you may register for GST voluntarily, but bear in mind you'll be subject to the same requirements as everyone else who's GST registered.

If you're GST registered

You issue tax invoices, charge GST on your sales and income (except for exempt supplies) and pay GST on your purchases and expenses. You also need to file regular GST returns, return any GST owing, and keep records.

- **When you file your GST return**

You work out the difference between the amount of GST you've collected and the amount of GST you've paid. If you've paid more GST than you've collected, you'll receive a refund. If you've collected more GST than you've paid, you'll need to return the balance to Inland Revenue.

When you must cancel your GST registration

If you stop your taxable activity and you don't intend to start a new taxable activity within the next 12 months you must cancel your GST registration within 21 days.

- **When you should consider cancelling your GST registration**

If your turnover for the next 12 months will be under \$60,000, or if you've been filing nil returns for some time, consider cancelling your GST registration. You can choose to stay registered, but you'll have to continue to meet all the requirements of being GST registered.

- **When you can't cancel your GST registration**

If GST is built into your prices, you can't cancel your GST registration even if your turnover drops under \$60,000.

What is turnover?

Turnover is the total gross value of all goods and services you sell or provide in New Zealand, excluding GST. It includes exported goods as well as grants, subsidies and barter arrangements. It does not include the sale of stock and assets when you wind down a business, the sale of plant or replacement of assets, GST-exempt goods and services or unconditional gifts.

What GST is charged on

GST can be charged on the supply (sale) for most goods and services in New Zealand, including:

- **Services** such as graphic design, hairdressing, building or painting
- **Products** such as clothing, cars or takeaway food
- **Experiences** such as bungee jumping, skiing or going to the movies
- **Professional services** such as legal advice.

GST can also be charged on some imported services. If you're GST registered, you must add GST to the sale price of your supplies. This includes your cash sales and when you sell a business asset. If you're not GST registered you can't add GST to the sale price of your supplies.

Zero-rated supplies

Some goods and services are taxed at 0% instead of the standard 15%. Zero-rated goods and services include:

- Exported goods
- Sale of a going concern
- Some sales of land.

If you supply zero-rated goods or services, you won't collect GST but you will pay (and be able to claim) GST on your expenses. You must include all zero-rated supplies with your taxable supplies in your GST return.

What GST isn't charged on

- Goods and services supplied by businesses that aren't GST registered
- Work for salary or wages
- Hobbies or private recreational pursuits
- The occasional sale of domestic or private items
- GST-exempt supplies such as donated goods and services sold by non-profit entities, financial services, and renting a residential dwelling

Calculating GST for your goods or services

To add GST to a price, multiply the GST-exclusive price by 15% or 0.15. Add this amount to the GST-exclusive price. To remove GST from a price, multiply the GST-inclusive price by 3 then divide by 23. Subtract this amount from the GST-inclusive price.

Requirements once you're GST registered

Once you're registered for GST you must:

- Charge 15% GST on all your sales, except for exempt and zero-rated supplies
- Issue tax invoices within 28 days
- Keep tax invoices and receipts when you buy goods or services for your business
- File regular GST returns even if you have no income or expenses
- Keep other records and paperwork to support the figures in your GST returns.

What happens to the GST you collect from customers and the GST you pay on purchases?

There are two sides to the GST equation:

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

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

- **If you collect more GST** than you pay, you need to return the balance to Inland Revenue when you file your GST return.

- **If you pay more GST** than you collect, you receive a GST refund.

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

Misconception: "GST collected from my customers is extra income for my business."

The reality is that you collect GST on behalf of the Government. When you collect GST from your customers, you must balance it against the GST you pay. If you collect more GST than you pay, you need to return the difference to Inland Revenue when you file your GST return.