

GST – do you need to register?

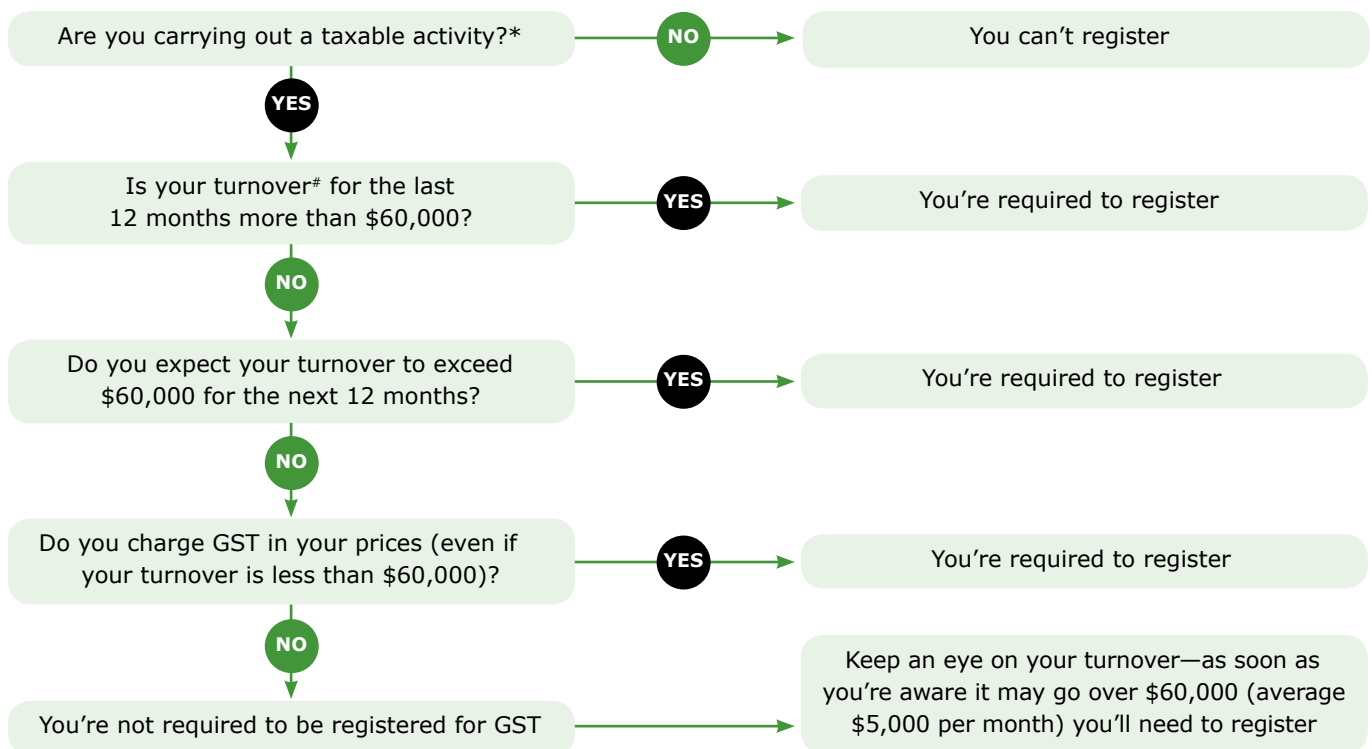
This factsheet helps you decide if you need to register for GST. If you decide to register you can do this at www.ird.govt.nz—go to “Get it done online”, “GST registration”—or you can complete the *GST registration (IR 360)* form. For more information about GST go to www.ird.govt.nz/gst/

What is GST?

GST (goods and services tax) is a tax on most goods and services supplied in New Zealand by registered persons. It also applies to most imported goods, and certain imported services. GST of 15% is added to the price of

taxable goods and services. If you’re a GST-registered business, then you pay GST on your supplies and collect GST on your sales. The difference between these two is what you pay to Inland Revenue.

STEP 1 Deciding to register



Note: Not sure if you charge GST in your prices? If you’re part of an organisation or company, check with them to see if GST is included, eg, taxi drivers. If not, do you show GST on receipts etc or tell your customers they’re paying GST?

*** What is a taxable activity?** Any activity carried out continuously or regularly by a business, trade, manufacturer, professional person, association or club. It includes any activity that supplies, or intends to supply, goods and services to someone else for consideration (money, compensation or reward) but not necessarily for profit. It doesn’t include: working for salary and wages, being a company director, hobbies or any private recreation pursuit, private transactions such as the occasional sale of household or domestic items, making exempt supplies.

How is turnover calculated? The total value of taxable supplies in all your business activities, including grants and subsidies you receive or barter transactions, excluding any GST. This is not your profit as your expenses are not deducted when determining your turnover.

Accounting basis

The way you choose to claim and pay your GST is called an accounting basis. There are three methods of accounting for GST. The two most used methods are the payments basis and the invoice basis.

Accounting basis	Who can use it
Payments basis	<p>A registered person can use this basis if the total amount of sales:</p> <ul style="list-style-type: none"> • in the last 12 months was \$2 million or less, or • is unlikely to be more than \$2 million in any 12-month period beginning on the first day of any month. <p>A registered person with turnover of more than \$2 million may be able to use this basis. Go to www.ird.govt.nz (keyword: GST-registered).</p>
Invoice basis	Any registered person can use this basis.
Hybrid basis	Any registered person can use this basis, but it's not commonly used by small businesses.

Payments basis

Using the payments basis you account for GST at the end of the taxable period that you make or receive the payment in. The payments basis is a good way to help businesses manage their cash flow because you only pay GST to us after you've received payment from your customers and you only claim GST for the purchases and expenses you've paid for.

Note: Around 78% of businesses choose the payments basis for their GST accounting basis.

Invoice basis

Using the invoice basis you claim GST when you receive an invoice and you account for GST at the earlier of issuing an invoice or receiving payment.

This means if you've issued or received an invoice during a taxable period then:

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

Hybrid basis

A less frequently used method is the hybrid basis, which is a combination of the invoice and payments bases. GST on sales and income is accounted for using the invoice basis and GST on expenses and purchases is accounted for when payment is actually made. This method can be complicated and is not commonly used by small businesses.

Taxable periods/filing frequency

A taxable period is how often you file your GST returns, ie, monthly, two monthly or six monthly. This may also be known as your filing frequency.

Taxable period	Who can use it
Monthly	Any registered person. If taxable supplies* exceed or are likely to exceed \$24 million in any 12 months you must use a monthly period.
Two monthly	Any registered person provided they don't meet the criteria for having to use the monthly period.
Six monthly	A small business whose turnover hasn't exceeded \$500,000 in the last 12 months and is unlikely to exceed this in the next 12 months.

* Taxable supplies are goods and services you provide in your business.

Monthly

Anyone can choose to file GST returns monthly. You may choose monthly returns if you're entitled to frequent GST refunds, such as exporters.

Two monthly

You can choose to file your returns on odd or even months. Preparing your GST accounts every two months helps keep you on top of your GST requirements. Many businesses say that completing GST returns every two months helps them keep in touch with business progress.

Six monthly

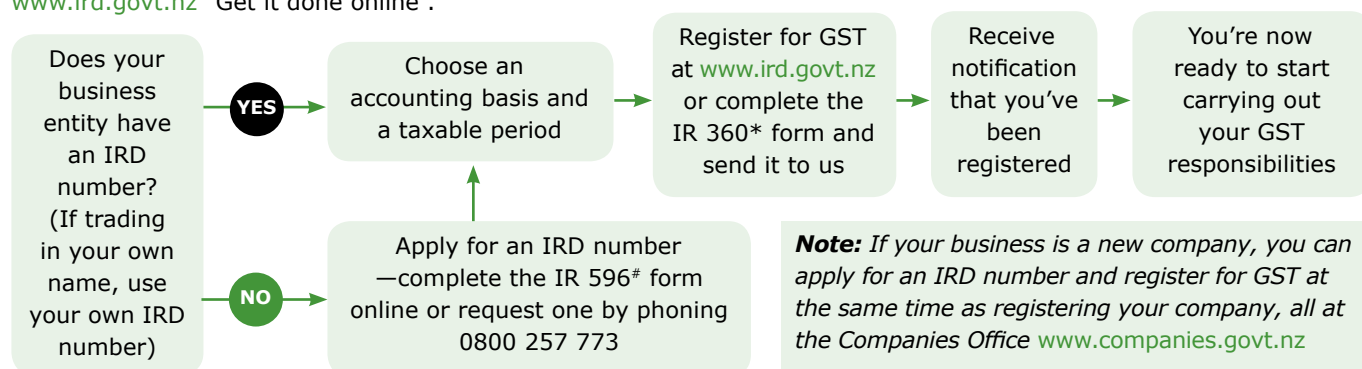
Preparing your GST accounts every six months may be an option for smaller businesses with fewer transactions. You can apply to file your returns six-monthly if the value of your total sales:

- was not more than \$500,000 in the last 12 months, or
- is unlikely to be more than \$500,000 in the next 12 months.

GST and provisional tax—if you're liable for provisional tax your taxable period will need to be aligned with your balance date.

STEP 3 Registering for GST

If you're required to register, or wish to voluntarily register, you can do this on our website www.ird.govt.nz "Get it done online".



* GST registration (IR 360) # IRD number application - non-individual (IR 596)

STEP 4 Completing the online registration or IR 360

Here are some notes to help you complete your registration.

Question 4: This is the address where your business is physically located. This may be your home or somewhere else.

Question 5: This is where you want the mail for GST to go if it's different from the location address. If it's a PO Box number please show your box lobby, eg, Wellington Mail Centre. If you're unsure what your box lobby is or whether you have one, please contact NZ Post on 0800 501 501. **Note:** If your tax agent/accountant will be doing your GST returns don't put their address here. Ask them to give us the address for your GST mail.

Question 8: When you're in business we're required to supply your business description to the Accident Compensation Corporation (ACC) for their records. For help determining your business industry description and code number go to www.businessdescription.co.nz or contact ACC on 0508 222 995.

Questions 10 and 11: When you register for GST you choose how you want to account for GST and how often you want to file your returns (see "Accounting basis" and "Taxable periods" opposite).

Question 12: Normally when you register for GST your registration is effective from the date you apply, but it can be some time in the future. For example, Joe will be opening his grocery store on 1 April 2011. He is getting all his paper work completed beforehand and will register for GST in February 2011, so requests the start date to be 1 April 2011.

In exceptional circumstances you can apply to backdate your registration. This may be approved if you can show that it would be unfair not to make your registration effective from the date you've requested. Examples of what we'd consider include whether you:

- had legitimate reasons for not registering earlier
- have kept accurate accounting records of the supplies you've made over the period.

If you're backdating your registration you'll need to complete the *GST registration (IR 360)* form. For more information on backdated registrations see www.ird.govt.nz (keywords: GST backdated registration).

STEP 5 What happens next?

Once we've checked the details on your registration form, we'll send you notification showing you:

- registration number (which will usually be the same as your IRD number)
- date of registration
- accounting basis, taxable period and the date your first return is due.

We automatically send you your GST returns.

Now that you've registered you need to:

- keep records
- issue invoices for sales, etc
- file GST returns—do this online or alternatively post them to us
- pay any GST owing.

Don't forget you need to deregister when you're no longer in business or charging GST—see www.ird.govt.nz/gst/

Voluntary registration

If your turnover is less than \$60,000 and you don't charge GST in your prices you don't have to register for GST. However, you may wish to voluntarily register.

Things to consider

Advantages

- You can claim back GST on purchases, including capital items.
- You can claim back GST on secondhand goods purchased from someone who isn't registered that you've bought to use in your business.
- You can claim GST on business set-up costs.
- Completing regular returns helps keep your records up to date and accurate.

Disadvantages

- You need to account for GST on all of your taxable supplies.
- Complying with GST requirements takes time, as you need to file returns and make payments on time to avoid late filing and payment penalties.
- You can't claim GST paid on exempt supplies.
- You need to pay GST on the current market value of assets when you sell them or deregister.

Non-profit bodies

Non-profit bodies can apply in writing to have each branch and division registered separately. However, each branch or division must maintain its own accounting system and:

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

Branches and divisions with a turnover of:

- more than \$60,000 for any 12-month period must register
- less than \$60,000 for any 12-month period may voluntarily register.

What is a non-profit body?

Any society, association or organisation:

- that is not operated for profit or gain of any member, and
- whose rules prevent the distribution of money or property to any of its members, proprietors or shareholders.

Examples include charitable organisations, sports clubs, parent teacher associations (PTAs), churches, social clubs.

Special registration

For information on separate branches, divisions, groups and agent or representative types of registration, see our website www.ird.govt.nz/gst/ (keyword: registration).

Online tools

"Tool for business" is an interactive tool that explains what you need to know about business tax. Go to www.ird.govt.nz (keyword: tfb).

File your GST return online by going to www.ird.govt.nz/gst/ "Get it done online".

Other resources

Don't forget your accountant, tax agent and lawyer are also able to help you with any queries or problems you may have.



www.ird.govt.nz

Go to our website for information, services and tools.

- **Secure online services** – login to check your account information, file an employer schedule, confirm personal tax summaries and update your family details and income.
- **Get it done online** – complete and send us forms and returns, make payments, make an appointment to see us and give us feedback.
- **Work it out** – use our calculators, worksheets and tools to help you manage your tax business like checking your tax code, or your filing and payment dates.
- **Forms and guides** – download our guides, and print forms to post to us.
- **Contact us** – for full details of phone numbers, addresses and contact options.

You can also subscribe to our newsletters, go to www.ird.govt.nz/subscribe

FREE ADVISORY SERVICE

Our business advisory officers run free tax seminars and workshops for new businesses and organisations. For more information or to register to attend one of these sessions go to www.ird.govt.nz (keyword: workshop) or phone 0800 377 778.

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