

How does GST work in my business?

In the normal course of your business, you charge GST in your sales and income and claim it back on your purchases and expenses. You then calculate the difference in your GST return to work out if you owe GST to Inland Revenue or if Inland Revenue owes a GST refund to you.

Once you've registered for GST, you will need to file GST returns periodically throughout the year.

Registering for GST

If your annual turnover is less than \$60,000, you may choose not to register for GST or to register voluntarily.

You must register for GST when your business turnover:

- for the last 12 months was \$60,000 or more (on average \$5,000 per month), or
- for the last 12 months was less than \$60,000 but you include GST in your prices
- for the next 12 months is expected to be over \$60,000, or

If you're required to register for GST, you must apply within 21 days of becoming liable.

If you stop all taxable activities or if your annual turnover drops below \$60,000, you may need to cancel your GST registration. If this happens, take care with your final GST return to make sure you cover all the [requirements](#).

Calculating GST

To calculate ...	you will need to...	The formula is...
GST on sales and income	charge GST at 15%	\$(sales and income) x 0.15
GST on purchases and expenses	claim GST at 15%	\$(purchases and expenses) x 0.15
The GST exclusive figure on amounts that have had GST included		\$GST exclusive = \$GST inclusive amount/1.15

Submitting your GST return

You'll receive email reminders when your GST returns are due for filing to help you to do your GST on time. These days Inland Revenue encourages businesses to use their myIR Secure Online Services as much as possible. When you set up your myIR account, you have a secure ID and password so you can file your GST return electronically without the need for a paper return. For businesses that don't want or are unable to use the online services, Inland Revenue will mail out a paper return.

Maintaining GST records

It's important to keep all your GST documentation in good order and maintain it for seven years. Inland Revenue has specific requirements for what various types of documentation should record.

Mixed use assets and GST apportionment

Navigating GST can be complex. For instance, your business might have assets that you use privately but which also earn income, such as a boat which you charter hire for fishing tours or an aircraft that you use for crop dusting. In these cases, you need to be able to work out how much time the asset is used for business and how much privately so you can make the necessary adjustments for GST. You also need to keep detailed records of usage. These rules apply to assets such as planes, boats, and holiday homes. There are also apportionment rules when claiming GST for motor vehicles which have been purchased for business use but are also used privately.

GST adjustments

Sometimes it is necessary to make adjustments in your GST return to correct errors in a previous return or to account for items governed by special rules. Special rules apply for items such as business assets used for private purposes, entertainment expenses, GST on exempt or zero-rated supplies, barter, and other things. There are often options for how to calculate such adjustments.

GST: Common terms

Key terms	What	Example
taxable supplies or sales	goods and services that are subject to GST sold by business	<ul style="list-style-type: none"> ▪ products you sell to customers ▪ sale of livestock ▪ income from Fonterra
purchases, supplies or assets	goods and services purchased to run the business	<ul style="list-style-type: none"> ▪ delivery van ▪ purchase of fertiliser or a tractor
output tax, GST outputs, GST payable or GST collected	GST a registered person charges on goods and services	<ul style="list-style-type: none"> ▪ the GST you charge to customers ▪ GST charged when selling livestock
input tax, GST inputs or GST credit	GST a registered person pays for goods and services for use in a taxable activity	<ul style="list-style-type: none"> ▪ the GST portion of the purchase price paid for the delivery van or the tractor
taxable activity	the business activity that generates income	<ul style="list-style-type: none"> ▪ your business
exempt supplies	goods and services which are not subject to GST and not included in your GST return	<ul style="list-style-type: none"> ▪ residential rental income from letting farmhouse to 3rd party
zero-rated supplies	certain taxable supplies which are taxed at the rate of 0% rather than at the standard rate of 15%	<ul style="list-style-type: none"> ▪ exported goods and most land transactions
special supplies	supplies that are different from normal business sales or purchases - exempt from GST	<ul style="list-style-type: none"> ▪ renting accommodation to any of your employees, or ▪ if a registered person buys a taxable activity that includes a dwelling, the dwelling is treated as a separate supply