GST

Goods and services tax (GST) is added to the price of most products and services. If you're GST registered, you can claim back the GST you pay on goods or services you buy for your business. You can also charge GST (15%) on what you sell — this is collecting it on the government's behalf.

When to register for GST

Whether you're a sole trader, contractor, in partnership or a company, as soon as you think you'll earn more than $60,000 in 12 months, you must register for GST. You may be charged penalties if you don't register when you need to.

If you don't think you'll turn over that much, it's up to you whether or not to register. One benefit of voluntary registration is you might be able to claim a GST refund, eg if you have a lot of expenses but not much income. Once you've registered, you have to complete regular GST returns.

Register your business (external link) — Inland Revenue

Watch Inland Revenue's video to find out if you should register for GST and, if you do, what you need to do.

Video transcript (external link) — Inland Revenue

If you're GST registered, remember to include GST in your prices or you could be out of pocket.

Case studies

What you can claim GST on

Joanne runs a home-based business selling bags she makes herself and Mike's just started his building business.

Joanne is GST registered, so collects GST on the sales of her bags, and claims it back on purchases like:

- materials and supplies for making her bags
- her new sewing machine.

She can also claim:

- taxi fares to business meetings
- a laptop she bought to manage her business finances
- the accounting software she uses
- food and drink bought when entertaining clients.

Mike's just started his building business. He's not sure if he'll earn more than $60,000 in his first year, but he's registering for GST straight away because he has big expenses — he'll claim GST back on:

- the ute he bought for work
- his work tools
- tools he bought for his apprentice
- the computer, printer and mobile phone he bought for business use only
- the GST portion of his work mobile phone bill
- his accountant's fees.
How it works

When you register for GST, you have two choices to make.

1. Taxable period (how often you’ll file returns) — monthly, two-monthly or six-monthly.
2. Accounting basis from these options:
   - Payments basis — you account for GST in the taxable period in which you’ve made or received a payment.
   - Invoice — you account for GST in the taxable period when you’ve sent or received an invoice (even if the payment hasn’t been made).
   - Hybrid method — a combination of payment and invoice methods.

Most small businesses choose to file two-monthly or six-monthly GST returns.

Two-monthly means more paperwork but can be easier to keep track of. Six-monthly filing is only available if your turnover is less than $500,000 (although some exceptions apply), and it might be good if you don’t have a lot of expenses or invoices.

Taxable periods

Keep a record of all your invoices and expense receipts (and keep these records for seven years). Put aside any GST payments you receive to pay to Inland Revenue at return time. Remember — you’re just collecting GST on behalf of the government, and you’ll need to pass on that GST when you do your return.

Getting ready to register for GST (external link) (http://www.ird.govt.nz/gst/gst-registering/gst-register-index.html) — Inland Revenue

How to register for GST

Register online through myIR. You’ll need:

- your IRD number
- your business industry classification (BIC) code
- to know which taxable period you want — either monthly, two-monthly or six-monthly for small businesses
- to know which accounting basis you want — small businesses may like to consider a payment basis, because you won’t have to make a GST payment before you’ve received money from your customers.

Find your BIC code (external link) (https://www.businessdescription.co.nz/#/home) — Business Industry Classification Code website

Register now (external link) (http://www.ird.govt.nz/online-services/service-name/services-g/online-gst-registration.html) — Inland Revenue

Once registered, you can manage and pay GST online using myGST, a new section of Inland Revenue’s myIR service.

myIR (external link) (http://www.ird.govt.nz/online-services/myir-secure-online-services.html) — Inland Revenue

For sole traders, your GST number will be the same as your IRD number.

For partnerships and companies, it’s the same as your partnership or company IRD number.

Completing a GST return
When you complete a GST return, you'll need to know:

- your total sales and income
- your total spending, including purchases and expenses
- the total amount of GST you've charged to customers.

GST can now be paid online using Inland Revenue’s myGST service, a new section of myIR.

myIR (external link) (http://www.ird.govt.nz/online-services/myir-secure-online-services.html) — Inland Revenue

Working out your GST (external link) (http://www.ird.govt.nz/gst/work-out/working-out-your-gst/) — Inland Revenue

Systems that can help at tax time (/tax-and-accounting/tax-time-tips/systems-that-can-help-at-tax-time/)

Zero-rated goods and services

Some goods and services have GST charged at 0% — these are called zero-rated supplies and are typically provided to people overseas. Zero-rated goods and services include products or services from New Zealand that are sold overseas, eg exports or some land transactions. Zero-rated supplies still have to be recorded on your GST returns.

Check if zero-rated supplies apply to your business (external link) (http://www.ird.govt.nz/gst/additional-calcs/calc-spec-supplies/calc-zero/) — Inland Revenue

Keep zero-rated invoices separate from your other invoices as these go in a different section of your GST return.

Deregistering for GST

If your turnover falls below $60,000 a year and you don't want to keep charging GST, or if you close down your business, you need to let Inland Revenue know — call or send a message via myIR. You'll need to let Inland Revenue know the date you intend to stop charging GST. GST is usually payable on goods and services held at the time you cancel your registration.

If you don’t deregister, you still have to keep filing returns.

And you may have to pay GST on any payments you collect, even if you haven't charged it.

Common mistakes

Avoid these common GST mistakes:

- Registering for GST before you reach the earning threshold of $60,000. Make sure you weigh up the advantages and disadvantages of registering.
- Choosing the wrong accounting basis when registering — that is, the way you claim and return GST. The “payments basis” option is usually the best choice if you're a small business, contractor or are self-employed.
- Not keeping accurate records, or all your receipts and invoices — or not keeping them for seven years.
- Not charging GST because your turnover is low if you're GST-registered — you must keep collecting and paying GST up until the date you let Inland Revenue know you're deregistering.
- Failing to deregister if you close your business and don’t plan on starting a new taxable activity over the next 12 months — in this case, you must cancel your registration within 21 days.
- Not accounting for the GST on any business assets you hold at the time you deregister — if you keep assets after cancelling your GST registration — for private use or for another business — you must make an adjustment in your final GST return. Your final GST return must include all taxable goods and services from the beginning of the taxable period to the date of the GST cancellation.
Making tax time easier

See how

Business planning advice


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Quiz: Tax 101

(https://www.irs.gov/tax-when-you-have-employees/payroll-deductions)

Test yourself on tax basics, from GST to tax forms, plus how to handle PAYE and KiwiSaver.

(https://www.irs.gov/tax-when-you-have-employees/payroll-deductions)
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