KPMG

TaxMail

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Regular commentary from our experts on topical tax issues

Issue 6

GST – something for everyone

Snapshot

Officials have released proposals to change the GST rules for a number of commercial activities. The key changes include:

- Allowing GST input claims on capital raising costs, to the extent of a business's taxable supplies. Generally this will move the amount able to be claimed from 0% to potentially 100%.
- Clarifying the zero rating rules in relation to commercial leases and services provided to non-residents in connection with New Zealand land purchases.
- Broadening the circumstances in which the GST refund period can be extended.

By and large, the proposals are technical changes to achieve the desired policy outcomes and to minimise compliance costs for business. They are, therefore, broadly welcome. These changes are consistent with GST being a broad based tax, which should affect business as little as possible. From a glass half empty perspective, you will be disappointed if there is nothing that will help your business.

Submissions are due 30 October 2015.

We are particularly supportive of the change to GST on capital raising costs. This is a principled solution to a long running issue and area of dispute with IRD. This change will move the amount able to be claimed from 0% to potentially 100%

It is also refreshing to see that, where there are choices, the choices favour a policy outcome which is principled and assists in lowering compliance costs for business

Contact us

John Cantin
Partner
T: +64 4 816 4518
E: jfcantin@kpmg.co.nz

Simon Taylor
Senior Manager
T: +64 9 367 5809
E: simontaylor@kpmg.co.nz

What is being proposed?

There are a large number of proposals in the GST "current issues" Issues Paper. To give you a sense of the breadth of the issues, and to help identify those which may be relevant to you, we have summarised them as follows:

Activity or issue	Proposal	Applies to me? (circle one)
Capital raising costs	GST will be claimable based on the business's taxable supplies as a percentage of their total supplies	✓ ✗
Taxable and exempt activity (e.g. retirement villages) input tax apportionment	Business will be able to agree a fair and reasonable apportionment approach with IRD rather than applying detailed rules for different assets and activities	✓ ✗
Acquisition of alloy gold	A second-hand GST input tax deduction will be allowed for goods manufactured from non-fine gold, silver or platinum	✓ ✗
Services directly in connection to land supplied to non-residents	No zero rating of services which affect the nature or value of land, protect land, or affect the ownership of land	✓ ✗
Commercial leases – zero rating rules	The amendments will: • zero rate a tenant to landlord payment for surrendering a lease • clarify that zero rating only applies when a lump sum lease payment is made (the GST treatment of previous payments will be unaffected) • confirm a lease is a successive supply, for GST • simplify the test for when an irregular lease payment requires zero rating • clarify that zero rating applies to payments to procure a lease when a third party does not acquire the existing lease • zero rate supplies to non-profit entities (if the land will be used for non-exempt supplies)	✓ ✗
Consideration is unknown at the time of supply	The time of supply will be split over the relevant invoices so that GST does not have to be accounted for on an unknown amount	✓ ✗
Agents acting for purchasers	The agent will be able to be treated as the recipient for the purchase and as a supplier to the principal so that GST can follow accounting systems	✓ ✗
Goods and services supplied in relation to boats and aircraft exported under their own power	Will be able to be zero-rated	✓ ✗
Supply by a non-resident of goods and services to a registered person but not for their taxable activity	The non-resident will be disqualified from GST registering to claim GST input tax in New Zealand	✓ ✗

Non-residents acting only as importers	Will be allowed to register as a non-resident if the GST is limited to GST paid on importation of the goods	✓ ✗
Non-residents moving goods offshore	Will be able to treat those goods as supplied in New Zealand and retain their GST input tax deductions	✓ ✗
Limited partnerships	Will be able to group with other GST registered persons	✓ ✗
Six-monthly GST return periods	Will be available to GST registered persons without the IRD's approval, provided certain requirements are met	✓ ✗
Notification of a GST refund being withheld	The IRD will be required to issue a notice within a certain period	✓ ✗
Time period for refunds of overpaid GST	The circumstances in which IRD will allow an extension to the time limit for refunds of overpaid GST, from four years to eight years, will be broadened	✓ ✗

Our view

The proposals are a mix of the positive (the ability to claim GST, zero rate supplies and various compliance measures) and the negative (the inability to zero rate and to register to claim input GST). However, the negative measures are supported by sound policy reasons. We, therefore, broadly welcome the overall package of GST technical measures in the Issues Paper.

The Government has highlighted the GST proposals relating to capital raising costs and services provided to non-residents in connection with land as two of the key topical issues. We would add clarity on the ability to have GST refunded to that list.

In particular, we are supportive of the position reached in relation to GST on capital raising costs. This is a principled solution to a long running issue and area of dispute with IRD. This change will move the amount able to be claimed from 0% to potentially 100%.

It is refreshing to see that, where there are choices, the choices favour a policy outcome which is principled and assists in lowering compliance costs for business.

As always, the detail of the proposals need to be considered to confirm the desired outcome is achieved. That should be the focus of your analysis.

Rugby World Cup 2015

If we can be permitted an indulgence, "Go the All Blacks".

For further information

John Cantin
Partner
Auckland
Phone: +64 4 816 4518
Email: jfcantin@kpmg.co.nz

Simon Taylor
Senior Manager
Auckland
Phone: +64 9 367 5809
Email: simontaylor@kpmg.co.nz

kpmg.com/nz
twitter.com/KPMGNZ