



# Your quick guide to GST in New Zealand





# Your quick guide to GST in New Zealand

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Find out when to charge GST, how to do it, and what to do with the money. And learn when and how to claim back GST on business expenses.

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# 1

## **What is GST?**



## What is GST?

You've probably heard about GST before – it stands for goods and services tax and is added to the price of most products and services in New Zealand. As it's almost always included in the price on the shelf you probably don't give it a second thought.

### How can GST affect my business?

If you're a business, you may be required to register for and collect GST. That means:

- you may need to add GST to your prices
- you will need to send that extra money to the IRD
- you can claim back any GST that you're charged on business supplies

### How much is GST?

- 15% is the GST rate for most goods and services
- 0% is the GST rate for exports, and for land that is sold between GST-registered businesses

While you don't collect any GST when the rate is 0%, you do need to report the sales on your return.

### GST exemptions

Some goods and services are exempt from GST. Financial services, residential rent, and donated goods sold by non-profits fall into this category.

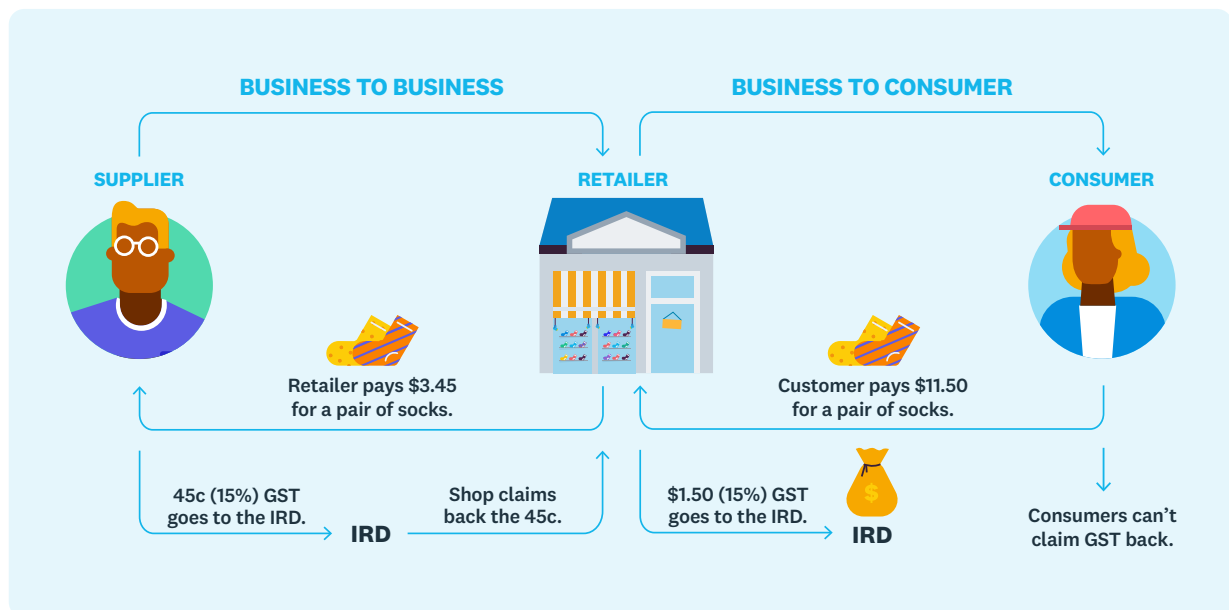
You should never charge GST on exempt goods or services. And if they're all you sell, then you can't register for GST. [Learn more on this IRD page.](#)

### Special supplies

You might struggle to see where you sit with GST if you sell by auction or lay-by, sell secondhand goods, or lease goods. In these cases, it's worth [checking out the IRD page on special supplies.](#)

### How does GST work?

The GST on any item is designed to be paid by the consumer in the end, rather than by the businesses involved in its supply. Take this example:



### GST on imports

You will have to pay GST on most imported goods. It's added to the price you paid for the goods plus shipping costs, and you may have to pay it before customs will release the shipment. You can generally claim the cost back when submitting a GST return.

GST-registered businesses don't have to pay GST on services or subscriptions from overseas suppliers.

### GST on exports

You don't have to charge GST on exports, which includes products you sell on the internet to overseas customers.

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# 2

## **Registering for GST**

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# Registering for GST

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Find out if your business needs to register for GST. If so, learn how to do it and find out what happens next.

## Who needs to register for GST?

Businesses with a turnover of \$60,000 or more are required to register. You may be an exception if you sell GST-exempt goods and services. You can get into legal difficulty if you don't register for (and collect) GST when you should.

[Learn more about who needs to register for GST on this IRD page.](#)

## Benefits of registering

If you're GST registered, you don't end up paying GST on business expenses. You'll still get charged the GST-inclusive price when you make the purchase, but you can claim that money back when you file your return with the IRD.

## What do I need to register?

To register, you'll need:

- an IRD number (and a myIR online account)
- a business industry classification code ([which you can get here](#))
- your business bank account details

## Before you register for GST

During the registration process, you'll be asked how often you plan to file a GST return, and how you account for GST.

## Choosing your filing frequency

There are three options, but they may not all be available to you.

- **Monthly**  
Businesses with more than \$24 million in yearly turnover must file monthly
- **Two-monthly**  
Most small businesses are expected to file every couple of months
- **Six-monthly**  
You can drop to twice-a-year returns if your annual turnover is less than \$500,000

## Choosing and changing your filing frequency

The IRD will put you on two-monthly filing unless you choose otherwise. You can also change your filing frequency at any time (assuming you qualify for more than one).

# Registering for GST

## Choosing your accounting basis

Your accounting basis determines when you owe GST on sales (and when you can claim it on expenses). There are three options, but they may not all be available to you.

- **Payments basis**

You owe GST on a sale when you receive payment from a customer.

- **Invoice basis**

You owe GST on a sale when you raise an invoice or when you get paid, whichever comes first.

- **Hybrid basis**

You follow the invoice basis when working out what GST you owe, and the payments basis when working out what you can claim back. It can get complicated so only a few businesses use the hybrid basis.

## Registering for GST online

It's simple to register for GST yourself and it costs nothing. [Just head over to the IRD website.](#)

## Once you're registered for GST

Once you've registered for GST you'll need to:

- add GST to your prices
- issue tax invoices to your customers
- keep receipts and invoices to claim back GST on business expenses
- file GST returns with the IRD
- pay any GST due

Payments basis

Invoice basis

Hybrid basis





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# 3

## **Calculating GST and issuing tax invoices**

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## Calculating GST and issuing tax invoices

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If you're a GST-registered business you must add GST to your prices. You also need to issue GST invoices to customers. Let's take a look at the maths and requirements of both.

### How to add GST to prices

Once you're GST registered, you will need to put prices up by 15%. There's a very simple formula for doing that:



You can find useful GST calculators on the web – just search for 'NZ GST calculator'. And don't forget that GST will not affect the prices of goods or services that are [zero-rated](#), [GST-exempt](#), or classified as [special supplies](#).





# 4

## **Claiming GST**



## Claiming GST

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GST-registered businesses can claim back the GST they pay on business expenses. They can also sometimes claim back GST paid on income. Let's learn how.

### When you can claim GST back

You can claim GST back when:

- you've purchased goods or services for your business
- you've paid GST on income that didn't eventuate (a customer left you with a bad debt)

### Claiming back GST on business expenses

When you buy something for your business, you're usually charged GST. If you're registered for GST, you can claim it back. You do this when filing your return. Simply add up the GST you paid on business expenses and subtract it from the GST you collected on sales (learn more in [working out your GST](#)).

### When expenses are split between business and home

If you bought something like a car or computer for both business and private use, you can claim GST for the business portion. [Check out the IRD page on GST adjustments for mixed-use assets.](#)

### When you're not collecting any GST

In most situations, you can claim back GST on supplies even if the end product or service that you're selling doesn't attract GST.

### Claiming back GST on a bad debt

If you account for GST on an accrual basis, you can sometimes get caught out by a bad debt. For example, you might raise an invoice and pay GST on the expected income then find your customer doesn't pay you. Don't worry. You can claim back the GST from the IRD on your next return. If the customer pays later, you repay the GST then.

[Learn more about writing off bad debts from the IRD.](#)



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# 5

**Working out your  
GST refund or bill**

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## Working out your GST refund or bill

Working out GST is straightforward maths. Keeping track of all your transactions is the trickiest part. Let's take a look at the process.

### GST is a simple formula

You work out GST by comparing the amount you paid on purchases to the amount you collected on sales.

If you get a positive number, you need to pay that amount to the IRD. If it's a negative number, you'll be refunded that amount.

You may need to make adjustments for assets, such as a car or computer, that is shared between your business and family. Visit the IRD page on [claiming mixed-use assets](#) for more information.



### How to work out GST in four steps

1. Make a note of the GST paid on your business purchases

**Paid on purchases**

Subtotal	\$5335
GST	<b>\$800.25</b>
TOTAL	\$6135.25

Money you can claim back

The illustration shows a delivery scooter with a purple box labeled 'DELIVERY' on the back. A blue arrow points from the 'GST' amount of \$800.25 in the table to the scooter, indicating that this amount is the GST paid on purchases that can be claimed back.





## Working out your GST refund or bill

### Avoid nasty surprises with smart bookkeeping

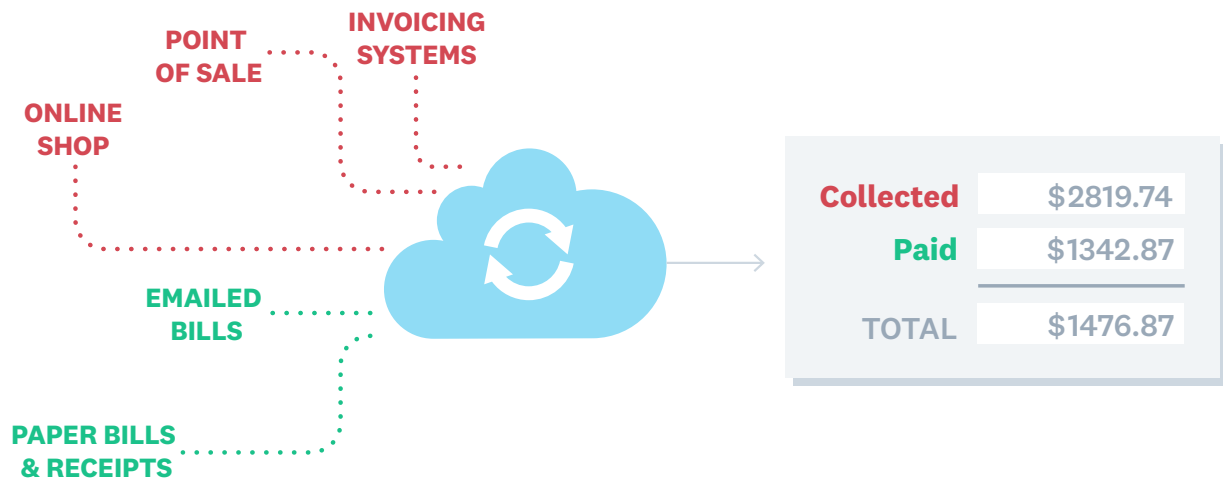
Like any business, you'll aim to sell more than you buy. If you succeed in doing that, you'll most likely end up with GST to pay. Run the four-step GST equation regularly so you can:

- work out how big your GST payment is shaping up to be
- transfer cash to a separate bank account to cover the GST you'll need to pay

### Automate your GST calculations

You can use [online accounting software](#) like Xero to stay on top of GST. It automatically records GST collected and paid, and does the maths for you.

The software keeps a running count of your GST situation so you always know where you stand. When your GST return is due, you just connect to the IRD and submit it online. All the information is ready to go.





# 6

## **GST returns and due dates**



## GST returns and due dates

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As a GST-registered business you'll need to let the government know how much you've collected and how much you've paid. You do this by filing a GST return.

### Information you will need

You'll need a record of how much GST you collected on sales, and how much was paid on purchases. You won't need to submit tax invoices when you lodge your GST return, but you will need to have them on hand. The IRD may ask to see them later.

### Four ways to file GST

You can choose to file your GST return:

- via your [online accounting software](#)
- through myIR, which is an online account you [set up with the IRD](#)
- by having an accountant or bookkeeper submit it for you
- by filling out a [GST101A form](#)

### GST due dates

Your GST due date will depend on when you registered, and your filing frequency. You may be penalised if you miss your deadline.

### GST payment

If your return says that you owe GST, you're generally required to make that payment on the same day. You can pay via credit card, debit card, internet banking, or direct debit.

With direct debit, you authorise IRD to withdraw the GST you owe directly from your business bank account when it's due. That way you don't have to worry about missing a deadline.

Interest and fees may be charged on late payments. If you don't have the money to pay your GST bill, get in touch with the IRD. They can help you out with a payment plan.

### Getting a GST refund

If you paid more GST than you collected, the IRD will owe you a refund. It will be paid directly into your nominated bank account.



**Where to next?  
Tools and guides  
for your business**

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## Where to next? Tools and guides for your business

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Now you know the ins and outs of GST, but it can be a stretch to keep on top of it all. Xero's got resources and solutions to help.

### Free resources for small businesses

#### Guides

Handy tips and tricks to help you do business better.

[Read guides](#)

#### Tax invoice template

Use our free template and it will calculate GST for you.

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#### Bookkeeping tips

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#### Xero GST tools

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