

Are You Required to Register for GST?¹

Introduction

You must register for GST if you carry out a taxable activity and if your turnover:

- was over \$60,000 for the last 12 months, or
- is expected to go over \$60,000 for the next 12 months
(This equates to \$5,000 per month. If your turnover is \$5,000 per month and you expect to maintain that level all year, you'll need to register for GST), or
- was less than \$60,000, but you include GST in your prices, for example taxi drivers who have included 15% in their taxi fares.

You can choose to register for GST even if your annual turnover is less than \$60,000, as long as there is a taxable activity. This is referred to as voluntary registration.

If you are required to register for GST, you must apply within 21 days of becoming liable. The timeframe is based on self-assessing your situation. The IRD may charge penalties if you fail to register.

What is a taxable activity?

A taxable activity is an activity carried out continuously or regularly by a business, trade, manufacturer, professional, association or club. It includes any activity that supplies, or intends to supply, goods and services to someone else for a consideration (money, compensation, reward) but not necessarily for profit. These goods and services are referred to as "taxable supplies".

Taxable activities don't include:

- work for salary or wages
- being a company director
- hobbies or any private recreational pursuit
- private transactions such as the occasional sale of household or domestic items, or
- exempt supplies, such as:
 - letting or renting a dwelling for use as a private home
 - interest you receive
 - donated goods and services sold by a non-profit body, and
 - certain financial services.

¹ Adapted from IRD website. Online: <http://www.ird.govt.nz>. Accessed 10th November 2015.

What is my turnover?

Your turnover is the total value of taxable supplies made excluding GST for all your taxable activities. In most businesses, the annual turnover will be the total value of your sales and income, including any:

- grants or subsidies received
- barter transactions, and
- imported services.

Pros and Cons of Voluntary GST Registration (if your annual turnover is less than \$60,000)

Advantages of being GST-registered:

- If you purchase goods and services from someone who is GST-registered, you'll be charged GST and you'll be able to claim it back.
- You can also claim GST if you purchase secondhand goods from someone who isn't GST-registered, and you use these goods in your taxable activity.
- Completing regular GST returns helps keeping your records up-to-date and accurate.

Disadvantages of being GST-registered:

- You have to account to us for GST on all of your taxable goods and services, including grants and subsidies.
- Complying with GST requirements takes time.
- When you stop your registration you have to pay GST on the open (current) market value of any business assets that you keep for private use.

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