

GST treatment of low value pre-registration acquired goods and services

Issued | Tukuna: 22 May 2026

CS 26/02

This Commissioner's statement sets out the Commissioner's position and operational approach on the treatment of goods and services valued at \$10,000 or less (excluding GST) that were acquired before GST registration and are used to make taxable supplies, on or following GST registration.

All legislative references are to the Goods and Services Tax Act 1985 unless otherwise stated.

Summary | Whakarāpopoto

1. This Commissioner's Statement reflects the Commissioner's longstanding practice on this matter. This position applies notwithstanding any other published views to the contrary. For the avoidance of doubt this position has been thoroughly considered, including by the Tax Counsel Office, prior to publishing this Statement.
2. This Commissioner's Statement sets out the Commissioner's position on the GST treatment of goods and services valued at \$10,000 or less (excluding GST) that were acquired before a person has registered for GST and are later used to make taxable supplies. It confirms that the Commissioner's position and operational approach remains unchanged from his current practice.
3. The Commissioner's position and operational approach is that a registered person is not permitted to claim input tax deductions for goods or services acquired before registration where the GST-exclusive value of those goods or services is \$10,000 or less. While s 21B allows registered persons to make an adjustment for pre-registration acquired goods and services, the threshold in s 21(2)(b) does not allow any adjustments to be made if the goods or services are valued at \$10,000 or less (excluding GST).
4. This Commissioner's Statement also sets out how this position fits within the wider GST apportionment and adjustment rules in ss 20(3), 20(3CB)–(3CH) (applicable to post-registration low value acquisitions) and 21–21H.
5. It is noted that Policy, Inland Revenue has released *Current GST issues: An officials' issues paper* (Policy, Inland Revenue, May 2026) which puts forward options for potential law change in this area.

Discussion | Matapaki

6. The Goods and Services Tax Act 1985 contains an integrated and complementary set of rules governing GST apportionment and adjustment. Apportionment occurs under s 20 at the time of acquisition, based on intended taxable use. Adjustments occur under ss 21–21H and are designed to account for differences between intended and actual taxable use over time.
7. This Commissioner's Statement sets out the Commissioner's position on the sections applying to pre-registration acquired goods and services.

Pre-registration acquired goods and services

8. Section 21B applies where a person (not being a unit title body corporate) acquires goods or services before they become registered for GST and at registration or later uses those goods or services to make taxable supplies. The provision covers goods or services on which GST was charged at the time of supply, goods imported for home consumption on which GST was paid, and certain secondhand goods purchased in New Zealand (or previously subject to GST on import) where the sale was not a taxable supply. Section 21B also applies where the goods or services are used for taxable supplies by a partnership of which the person is a member.
9. When applying s 21B, the registered person may make an adjustment under s 21, s 21A, or s 21FB to recognise the taxable use of the goods or services after registration. The first adjustment period is treated as starting on the date the goods or services were acquired and ending on the first balance date that falls after they begin to be used for making taxable supplies. To make an adjustment, the registered person must hold appropriate records of the supply and use a method that gives a fair and reasonable result when identifying the percentage of actual use during this initial period. In the case of secondhand goods, the applicable tax fraction is the one that applied at the time the goods were purchased.

Low value threshold and mechanism to make adjustments

10. Section 21 provides that a registered person must review their use of goods or services at the end of each adjustment period to check whether the extent to which those goods or services are actually used for making taxable supplies differs from what was originally intended. If there is a difference, an adjustment may be required.
11. However, an adjustment is not permitted in a number of situations. Section 21(2)(b) provides an exception that a person is not permitted to make an adjustment if the GST-exclusive value of the goods or services is at or below the statutory threshold of \$10,000.
12. Section 21 and the exceptions in s 21(2) apply to all adjustments, as an integrated package of timing, method-selection and evidential rules for adjustments within the ss 21A–21H suite. This means s 21 applies to all of the adjustment rules in ss 21A to 21H, including s 21B.
13. Section 21A sets out when adjustments are required. It provides that at the end of each adjustment period, a registered person must work out how the goods or services were actually used during that period for making taxable supplies. They must then

compare that actual use with either the percentage of use originally intended when the goods or services were acquired, or the percentage of actual use worked out in the most recent adjustment period, depending on which comparison is required. If this comparison shows a difference in use, the registered person must make an adjustment for that adjustment period to reflect the change in use.

Sections 21, 21A and 21B operate together

14. Sections 21, 21A and 21B are intended to operate together. Section 21 determines whether an adjustment is required due to a difference between intended use and actual use and whether any exception applies. An adjustment is not permitted if an exception applies. Section 21A provides the calculation mechanism where an adjustment is permitted. Section 21B brings pre-registration goods and services into the adjustment rules by defining the first adjustment period, but does not create a standalone entitlement to adjust.
15. Because s 21B only sets the first adjustment period (from the date of acquisition), regard must be given to s 21 to see if an adjustment is permitted and, if it is, for the timing of the adjustment (s 21(3)). Section 21A provides the mechanism of the adjustment.
16. Accordingly, where s 21(2)(b) applies, no adjustment is permitted if the goods or services acquired pre-registration are valued at or below the \$10,000 (excluding GST) threshold.

Consistency with post-registration acquired goods and services

17. This position is consistent with the treatment of post-registration acquired goods and services applying the principal purpose method of apportionment under s 20(3CB)–(3CH). These provisions set out that where a registered person acquires goods or services with a value of \$10,000 or less (excluding GST), the ability to make an input tax deduction depends on the purpose for which the goods or services are acquired. If they are acquired principally for making taxable supplies, the registered person may deduct the input tax in full. In that case, the registered person cannot later adjust the input tax between taxable and non-taxable use for any adjustment period.
18. However, if the goods or services are not acquired principally for making taxable supplies, the registered person is not entitled to deduct any input tax, unless they have agreed an apportionment method with the Commissioner under s 20(3E), s 20(3EB), s 21(4), or s 21(4B). This treatment for post-registration acquired goods and services at

or below the \$10,000 (excluding GST) threshold that were not acquired by the registered person for the principal purpose of making taxable supplies aligns with the threshold applicable to pre-registration acquisitions.

Examples | Taura

19. The following examples illustrate the Commissioner's position as set out above.

Example | Taura 1 – Motor vehicle acquired before registration

Aroha purchased a motor vehicle for \$9,200 (excluding GST) before becoming registered for GST. After registering for GST, Aroha uses the vehicle in her taxable activity.

The motor vehicle was acquired before registration and is later used to make taxable supplies, so s 21B applies. Section 21B identifies the first adjustment period but does not itself permit an adjustment.

Section 21(2)(b) applies because the GST-exclusive value of the motor vehicle is \$10,000 or less.

No adjustment is permitted.

Variation

If the motor vehicle cost Aroha \$10,500 (excluding GST) the threshold in s 21(2)(b) is exceeded, so an adjustment is not prohibited. Aroha can make an adjustment.

Example | Taura 2 – Principal purpose method: post-registration goods not acquired for taxable supplies

Priya is registered for GST. She purchases a laptop computer for \$4,500 (including GST). At the time of acquisition, Priya acquires the laptop mainly for gaming, with only incidental use in her taxable activity.

The laptop is goods acquired with a GST-exclusive value of \$10,000 or less, so the principal purpose method in s 20(3CB)–(3CH) applies. Because the laptop is not acquired principally for making taxable supplies, Priya is not entitled to deduct any input tax, unless she has agreed an apportionment method with the Commissioner under the relevant provisions.

No input tax deduction is available for the laptop.

One year later, Priya decides to use the laptop primarily in her taxable activity.

Where the principal purpose method applies to low-value goods, the entitlement to deduct input tax is determined once, at the time the goods are acquired. Goods that are not acquired principally for making taxable supplies cannot later be apportioned, and no adjustment can be made under ss 21–21H for a later change in use.

Priya is not entitled to deduct input tax, apportion the input tax, or make any adjustment for the laptop, despite the later taxable use. This is consistent with the outcome if she had acquired the laptop prior to registration.

Variation

If Priya acquired the laptop for use in her taxable activity, she could claim a full input tax deduction on acquisition. If she later decided to use the laptop mainly for gaming, she would not be permitted to make an adjustment for the change in use and could keep the full input tax deduction she claimed earlier.

Application | Whakapānga

20. This Statement sets out the Commissioner’s position in relation to the GST treatment of goods and services acquired before a person has registered for GST for \$10,000 or less that are later used to make taxable supplies.
21. The Commissioner will continue to apply this position.
22. If you have any concerns about your compliance with the tax obligations outlined in this Statement, you should discuss this matter with a tax professional or contact Inland Revenue. You may also make submissions on the *Current GST issues: An officials’ issues paper* (Policy, Inland Revenue, May 2026) which puts forward options for potential law change in this area.

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Date of Issue | Te Rā Whakaputa: 22 May 2026

About this document | Mō tēnei tuhinga

The purpose of a Commissioner's Statement is to inform taxpayers of the Commissioner's position and the operational approach being adopted on a particular tax matter.

The examples provided in this Commissioner's Statement are intended to illustrate the Commissioner's position. They are not intended to illustrate any other position by the Commissioner on any other areas of the law.