

Commissioner's Statement CS 20/02

Trophy hunting and the GST treatment of the "Trophy Fee"

*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 matter. A Commissioner's Statement is not a consultative document.***

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

Background

The Commissioner has released an Interpretation Statement (IS 20/02) (the *Interpretation Statement*) setting out her interpretation of how the Goods and Services Tax Act 1985 applies to supplies made by New Zealand hunting outfitters and taxidermists to overseas hunters who hunt trophy animals in New Zealand.

Typically, when an outfitter provides a New Zealand hunting package to an overseas hunter, and as part of that package the outfitter provides souvenir animal parts¹ or a hunting souvenir² for export, the outfitter makes two separate GST supplies to the hunter:

- a single composite supply of a hunting experience in New Zealand; and
- a supply of souvenir animal parts or a hunting souvenir.

The supply of the hunting experience in New Zealand must be standard-rated for GST purposes. This includes the supply of such things as accommodation, transport, guiding, licences etc. And, **in the Commissioner's view**, it also includes the **outfitter's supply of the opportunity to hunt and kill a particular breed and quality of animal in New Zealand**. The consideration paid by the hunter for this last part of the standard-rated supply is typically **included within the "trophy fee"** charged by the outfitter.

The supply of souvenir animal parts or a hunting souvenir for export to the hunter may be able to be zero-rated for GST purposes. **In the Commissioner's view**, the consideration for the supply of souvenir animal parts or a hunting souvenir **is the balance of the "trophy fee" that is not attributable to** the opportunity to hunt and kill a particular breed and quality of animal in New Zealand.

The Interpretation Statement includes discussion on valuing supplies and apportioning consideration where there is a mixture of standard-rated and zero-rated supplies. It observes that the value attached to separate supplies should properly represent the consideration paid for those supplies, and the onus is on the outfitter to show the

¹ "souvenir animal parts" refers to the parts of a trophy hunting animal killed by a hunter (for example, heads, shoulders, skins, antlers and bodies) that may later be expedited or mounted.

² "hunting souvenir" refers to the souvenir animal parts once they have been expedited or mounted by a taxidermist.

Commissioner that a supply has been valued appropriately. If the Commissioner is concerned that artificial or contrived pricing is occurring that alters the incidence of tax, then there may be grounds for the transaction to be reviewed.

To assist outfitters in determining what portion of a **"trophy fee"** the Commissioner will accept as consideration for the standard-rated supply of the hunt and what portion is consideration for the exported supply of the souvenir animal parts or hunting souvenir, the Commissioner has established some standard apportionment percentages for trophy hunting animals in New Zealand.

The percentages are intended to recognise the increasing value to the hunter of souvenir animal parts and hunting souvenirs as the quality and **"uniqueness" of the trophy animal** increases. Outfitters may use these percentages to apportion their trophy fees when they export souvenir animal parts or hunting souvenirs, and those valuations will be accepted by the Commissioner. The use of these percentages is optional, however if an outfitter wishes to zero-rate a greater proportion of the trophy fee, they must be able to satisfy the Commissioner that their zero-rated portion is reasonable.

Standard percentages

1. To help outfitters **correctly apportion the value of the "trophy fee"**, the Commissioner provides in this document standard percentages that can be applied by outfitters to determine how much of the trophy fee should be standard-rated and how much can be zero-rated.
2. These percentages are set out in the table below.
3. The percentages are based on the species available for trophy hunting in New Zealand and vary according to the **quality and "uniqueness"** of animal parts from the respective species, based on the trophy fees typically charged. The Commissioner recognises that the portion of the trophy fee that is attributable to the animal parts rather than the hunting experience will increase as the quality and uniqueness of the animal itself increases, therefore a higher percentage of such a trophy fee can be zero-rated. For red deer in particular, the Commissioner recognises that there is a wide range of values for the animal parts. The scoring system used by Safari Club International (SCI) has been used to adjust the applicable percentage - a higher scoring red deer will have a higher zero-rated element - to recognise the greater value the hunter places on the animal parts.
4. The use of these percentages is optional. However, where they are used and the Commissioner is satisfied that fair value is being charged for the supply of the standard-rated hunting experience in New Zealand, the Commissioner will accept the **outfitter's GST treatment** of the trophy fee based on the standard percentages.
5. Where an outfitter wishes to attribute a greater proportion of trophy fee to the zero-rated supply than the standard percentages provide for, they will need to satisfy the Commissioner that their valuation is reasonable. The onus is on the outfitter to do so.

Standard percentages for apportioning the value of a trophy fee

	% to be zero-rated	% to be standard-rated
Small animals (eg, possums and rabbits)	0%	100%
Arapawa Ram, Feral Goat, Pacific Ram, Wild Boar, Chamois, Fallow	25%	75%
Rusa, Sika, Tahr, White tail, Elk, Sambar, Wapiti	50%	50%
Red deer: No SCI – up to SCI 399	50%	50%
Red deer: SCI 400 – 499	75%	25%
Red deer: Over SCI 500	90%	10%

The following is an example using the standard percentages provided by the Commissioner:

Example - use of the standard percentages

Kiwi Big Game Hunting is a hunting outfitter. It agrees to provide a hunting package for a United States hunter to come to New Zealand to hunt a red deer stag with a Safari Club International (SCI) score of between 500 and 550.

The agreement between Kiwi Big Game Hunting and the hunter specifies that any hunting souvenirs made from any souvenir animal parts will be exported by Kiwi Big Game Hunting to the hunter in the course of, or as a condition of, their supply.

The package booked by the hunter includes:

- four **nights'** accommodation;
- professional guiding and use of firearms for three days;
- assessment of the red deer stag by a Safari Club International qualified measurer; and
- shuttle transfer between the airport and accommodation.

Kiwi Big Game Hunting tells the hunter that for a three-day hunt of this type, they will charge \$3,000. GST is charged on this amount at the standard rate.

The hunter arrives in New Zealand and shoots a red deer stag which has an SCI score of 510. She also shoots a tahr. She wishes for both animals to be mounted as trophies and exported to her home in the United States and is happy to pay the applicable trophy fee for both animals, and the necessary taxidermy and shipping costs.

Kiwi Big Game Hunting agrees to arrange that. In determining the GST treatment of the red deer and tahr trophy fees, Kiwi Big Hunting **uses the Commissioner's standard** percentages. Kiwi **Big Game Hunting's trophy fee for the red deer is \$35,000** due to the **animal's high SCI score**. Of that value, 10% is charged GST at the standard rate of 15%, while 90% can be zero-rated.

For the tahr, Kiwi Big Game Hunting charges a trophy fee of \$8,000. Of this, 50% is to be charged GST at the standard rate, while 50% can be zero-rated.

Kiwi Big Hunt Gaming invoices the hunter as follows:

Kiwi Big Game Hunting
Rifle Road
Mountainville
Canterbury

GST No: 12-123-123

TO:
Ms D Hunter
17 Washington Ave
Chicago IL
United States

TAX INVOICE

INVOICE # 100
DATE: 12 NOVEMBER 2020

DESCRIPTION		TOTAL
3 days hunting and guiding (including use of guns)	2,000	
4 nights' accommodation and meals	950	
Transfers to and from Christchurch International Airport	50	
1 Red stag (SCI 500-550)	3,500	
1 Tahr	4,000	
		10,500
Plus GST @ 15%		1,575
		12,075
Red deer souvenir		31,500
Tahr souvenir		4,000
Red deer souvenir – expediting, taxidermy and export to USA		1,500
Tahr souvenir – expediting, taxidermy and export to USA		1,200
Plus GST @ 0%		0
		38,200
	SUBTOTAL	50,275.00
	LESS DEPOSIT PAID	-5,000
	TOTAL DUE	45,275.00

(Note: all amounts in this invoice are NZ dollars)

This statement applies to New Zealand hunting outfitters who make zero-rated supplies of souvenir animal parts and hunting souvenirs to overseas hunters. The application date is from 25 May 2020.

This Statement is signed on 25 May 2020

Rhys Brown
National Advisor - Escalations
Technical Standards, Legal Services