

**EXPOSURE DRAFT - FOR COMMENT AND DISCUSSION ONLY | HUKIHUKI HURANGA  
- MŌ TE TĀKUPU ME TE MATAPAKI ANAKE**

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Send feedback to | Tukuna mai ngā whakahokinga kōrero ki  
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**DRAFT FACT SHEET | PUKA MEKA**

# **GST – Meaning of secondhand**

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**PUB00514 FS 1**

This fact sheet accompanies PUB00514: GST – Secondhand goods input tax deduction, which discusses the requirements that must be met for a registered person to claim a secondhand goods input tax deduction. One of the requirements is that the goods supplied are secondhand.

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## Introduction | Whakataki

1. In calculating the amount of GST payable for a period, a registered person can, if certain requirements are met, claim a deduction for a notional amount of input tax on the purchase of a secondhand good.
2. One of the requirements is that the good purchased must be "secondhand". The following discusses the Commissioner's view on the meaning of secondhand.

## Meaning of secondhand

3. The concept of secondhand is flexible.
4. Under the ordinary meaning, a good is secondhand when acquired if it is not acquired from the original source (in other words, if it has been previously owned) or has been previously used.
5. Case law has held that a good is secondhand if it has been used or treated or stored by a previous owner in such a manner that it can no longer be regarded as new.
6. "Use" in this context means being used for the good's intrinsic purpose as opposed to being used as trading stock, for example.
7. If a good is acquired from the producer of the good, the good will not be secondhand unless the producer has used the goods themselves (use as trading stock does not count). This is because the producer is the original source.
8. A good is not secondhand merely because it has passed from the producer through the hands of a wholesaler, distributor or retailer of the good, unless one of these persons acquired the good to use themselves (again, use as trading stock does not count). It would be unnatural to describe a good being supplied by such a person as being supplied by the person secondhand.
9. A good will be secondhand when supplied by a person if the person produced or acquired the good intending to use the good themselves (as opposed to producing or acquiring the good as trading stock). In this case, a good can be secondhand even if the person has not used the good. If they actually use the good, it is secondhand on that basis as well.
10. This is illustrated in Example | Tauira 1 and Diagram | Hoahoa 1.



## Example | Tauira 1 – Meaning of secondhand

ABC Wines recently ceased its GST registration. Before it ceased its registration, ABC Wines purchased a new bottling machine. The machine is still in its shipping container and hasn't been used. On cessation, ABC Wines was deemed to make a supply of all its assets, including the bottling machine.

Subsequently, as an unregistered person, ABC Wines sells the bottling machine to another wine maker, XYZ Wines.

XYZ Wines is able to claim a secondhand goods input tax deduction. The machine is secondhand because of ABC's previous ownership. Previous ownership is relevant here because ABC acquired the machine to use itself.

## Diagram | Hoahoa 1 - Supply of secondhand goods



## About this document | Mō tēnei tuhinga

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