

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

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INTERPRETATION STATEMENT | PUTANGA WHAKAMĀORI

Goods and Services Tax – Compulsory zero-rating of land rules

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IS XX/XX

This interpretation statement explains the compulsory zero-rating of land rules and sets out what information a purchaser must provide to a vendor where a supply wholly or partly consists of land. It also explains what to do when the GST treatment is incorrect, including where a purchaser provides incorrect information.

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

REPLACES | WHAKAKAPIA

- **IS 17/08: Goods and services tax – Compulsory zero-rating of land rules (general application)** *Tax Information Bulletin* Vol 29, No 10 (November 2017): 17; and
- **QB 21/08: GST – How do the compulsory zero rating of land rules apply to transactions involving commercial leases?** *Tax Information Bulletin* Vol 33, No 7 (Aug 2021): 64

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Summary | Whakarāpopoto

1. Where a supply between two registered persons wholly or partly consists of land, the compulsory zero-rating of land (CZR) rules require that supply to be zero-rated if certain requirements are met at the time of settlement. When a supply between two registered persons is zero-rated, the vendor includes the zero-rated supply in their return, and the purchaser cannot claim an input tax deduction for the purchase.
2. The CZR rules apply to most transactions between registered persons that involve supplies of land or interests in land, and can include assignments, grants or surrenders of leases.
3. Generally, the CZR rules do not apply to:
 - leases of residential accommodation;
 - most commercial leases, except in certain cases;
 - sales of properties exclusively used for residential rental accommodation for 5 years or more; and
 - supplies of a property to be used as a residence of the purchaser or a relative.
4. Under the CZR rules, a GST-registered vendor must charge GST at the rate of 0% when all the following are satisfied:
 - they make a supply wholly or partly consisting of land to a GST-registered purchaser;
 - the supply is made in the course or furtherance of the vendor's taxable activity;
 - the purchaser intends to use the land for making taxable supplies; and
 - the purchaser does not intend to use the land (or any part of it) as their or a relative's principal place of residence.¹

¹ This statement uses the term "relative" to mean a person referred to in s 2A(1)(c).

5. When a supply wholly or partly consists of land, the purchaser (or their nominee or agent in the case of an undisclosed principal) must notify the vendor at or before settlement of whether they:
 - are or expect to be GST-registered at the time of settlement;
 - are acquiring the land (and any other goods forming part of that supply) with the intention of using them (wholly or partly) for making taxable supplies; and
 - intend to use the land as a principal place of residence for themselves or a relative.
6. In most cases, when a purchaser enters into a transaction with a vendor that involves the supply of land, they satisfy these notice requirements by completing a schedule to the written sale and purchase agreement, such as Schedule 1 – *GST Information* to the Law Association (TLANZ) and Real Estate Institute of New Zealand Inc (REINZ) *Agreement for Sale and Purchase of Real Estate* (11th ed, TLANZ and REINZ, 2022). This statement refers to this agreement as the TLANZ Agreement.
7. The vendor uses this information to determine the GST treatment of the supply. Special rules exist for resolving situations where a supply involving land is incorrectly zero-rated or standard-rated (see from [96] and Table | Tūtohi 1).

Introduction | Whakataki

8. This interpretation statement explains how the CZR rules apply, including:
 - the information a purchaser must provide to a vendor where there is a supply of land; and
 - what to do when the GST treatment is incorrect, including when a purchaser has provided incorrect information.
9. This statement refers to the supplier as the “vendor” and the recipient of the supply as the “purchaser” even if the recipient of the supply is the purchaser’s nominee. The CZR rules as they relate to nominees are discussed at [83] and [102].

Analysis | Tātari

10. Usually, a registered person making a supply in the course or furtherance of their taxable activity charges GST at the standard rate of 15% on the supply.² In some

² Section 8(1).

situations, suppliers are required to charge GST at the rate of 0% on the supply. One of these situations is when the CZR rules apply.³ Appendix 1 contains a flowchart to determine if the CZR rules apply to a supply of land.

11. The following analysis explains:

- When the CZR rules apply (from [12]);
- How the CZR rules apply to commercial leases (from [51]);
- When purchasers must make output tax adjustments for non-taxable use (from [65]);
- Information a purchaser must provide a vendor (from [75]);
- Record-keeping requirements (from [86]);
- What to do when the GST treatment is incorrect (from [96]).

When the CZR rules apply

12. The CZR rules require a vendor to zero-rate a supply if:

- both the vendor and the purchaser are, will be, or are deemed GST-registered at the time of settlement (see from [13]);
- the vendor is making the supply in the course or furtherance of their taxable activity (see from [17]);
- the supply wholly or partly consists of land (see from [21]);
- the purchaser acquires the land with the intention of using it for making taxable supplies (see from [36]); and
- no part of the land included in the supply is intended to be used as the principal place of residence of the purchaser or their relatives (see from [43]).⁴

Both parties are GST-registered

13. If a supply that wholly or partly consists of land is to be compulsorily zero-rated, both parties must be registered persons. That is, the person making the supply must be a vendor who is a registered person and they must be making that supply to a purchaser (or their nominee) who is a registered person.

³ Section 11.

⁴ Sections 8 and 11(1)(mb).

14. A “registered person” is a person who is registered, liable to be registered, or deemed to be registered under the Act.⁵ This includes a non-registered person who disposes of an asset for which they previously had claimed GST.⁶
15. Therefore, if the parties to the supply are liable to be GST-registered, or are deemed to be registered, at the time of settlement (and the other conditions for compulsory zero-rating are met), the CZR rules will apply regardless of whether one or both are actually registered for GST at the time of settlement.
16. This is the case even if a person incorrectly states their GST status on Schedule 1 of the TLANZ Agreement. The TLANZ Agreement incorporates GST Act concepts, so “registered” includes a person who is liable to be registered as well as actually registered.⁷ If a purchaser loses an expected GST input tax credit because of the vendor’s incorrect warranty about their GST status, the purchaser can recover damages for the loss as contractual damages.⁸

Vendor makes the supply in the course or furtherance of a taxable activity

17. A GST-registered vendor must supply the land in the course or furtherance of their taxable activity.
18. If the vendor does not supply the land in the course or furtherance of their taxable activity (for example, when they sell their private home) the supply is generally outside the GST rules. In such a situation, a GST-registered purchaser may claim a second-hand goods input tax deduction for land they acquire that was not used in the vendor’s taxable activity if the purchaser intends to use the land to make taxable supplies in their taxable activity.⁹
19. For more information on when a supply is made as part of a taxable activity, see [**IS 25/21: GST – Taxable activity**](#).¹⁰
20. Where the vendor makes a supply that wholly or partly consists of land in the course or furtherance of their taxable activity, and the supply includes the provision of services,

⁵ Definition of “registered person” in s 2.

⁶ Under ss 5(16) & (16C).

⁷ *Ling v YL NZ Investment Limited* [2018] NZCA 133.

⁸ *Ling; Holdaway v Ellwood* [2019] NZHC 792; *The Park Homes Ltd v Miah* [2022] NZHC 1352.

⁹ Section 20(3)(a)(ia).

¹⁰ IS 25/21: GST – Taxable activity *Tax Information Bulletin* Vol 37, No 10 (November 2025): 10.

the supply of those services is treated as a supply of goods for the purposes of the CZR rules.¹¹

Supply wholly or partly consists of land

21. The CZR rules apply when a supply wholly or partly consists of land. The term “land” includes:
- an estate or interest in land (eg, a freehold estate in land or a lease of land);
 - a right that gives rise to an interest in land (eg, a profit à prendre);
 - an option to acquire land or an estate or interest in land; and
 - a share in the share capital of a flat- or office-owning company, to which subpart 6 of Part 3 of the Land Transfer Act 2017 applies.¹²
22. The term “land” excludes:
- mortgages; and
 - leases of dwellings.¹³
23. For further guidance on the meaning of land for the CZR rules, see:
- **[QB 20/04](#): Do certain supplies wholly or partly consist of land for the compulsory zero-rating (CZR) rules?**¹⁴
 - **[QB 24/05](#): Do supplies of standing timber and other unsevered crops wholly or partly consist of land for the compulsory zero-rating rules?**¹⁵
24. The CZR rules apply where a supply consists wholly or partly of land and the conditions at [12] are met, even where the land forms only part of the supply. For example, if land and other assets of a business are sold as a single composite supply, all the components of the single supply – not only the land component – must be zero-rated.
25. However, where the land and other assets are separate supplies within the same contract (rather than one single composite supply), the GST treatment of each of those

¹¹ Section 5(24).

¹² Definition of “land” in s 2.

¹³ Definition of “land” in s 2.

¹⁴ QB 20/04: Do certain supplies wholly or partly consist of land for the compulsory zero-rating (CZR) rules? *Tax Information Bulletin* Vol 33, No 1 (February 2021): 61.

¹⁵ QB 24/05: Do supplies of standing timber and other unsevered crops wholly or partly consist of land for the compulsory zero-rating rules? *Tax Information Bulletin* Vol 36, No 9 (October 2024): 30.

separate supplies is determined separately. If any of those separate supplies in whole or in part includes land, the CZR rules may apply.

26. Therefore, as a first step, before determining whether the CZR rules apply to a land transaction, the vendor must establish what supplies they are making to the purchaser. To determine the nature of the supplies being made, see [IS 18/04: Goods and services tax – Single supply or multiple supplies](#).¹⁶
27. In some situations, the Act specifically identifies when there is a separate supply from any other land.¹⁷ This includes:
- a supply of a principal place of residence (see from [29]);
 - a supply of a dwelling used exclusively for providing residential rental accommodation for 5 years or more (see from [32]); and
 - a supply that has been removed from a person's taxable activity (see from [34]).
28. A vendor must determine whether they are making one of these deemed supplies before they apply the CZR rules.

Supply of a principal place of residence

29. In determining whether a property is a principal place of residence and therefore a separate supply when supplied with other land, it is the existing use of the property that is relevant.
30. A "principal place of residence" means premises a person occupies as their main residence.¹⁸ However, the property does not need to be the vendor's own residence (eg, it can include a house that a farm manager has lived in).
31. If the existing use of a property is as a principal place of residence, then there is a separate supply of that residence from any other land.¹⁹ Whether or not the CZR rules apply to that separate supply depends on other factors, such as the purchaser's GST registration status and intention at the date of settlement. See from [43].

¹⁶ IS 18/04: Goods and services tax – Single supply or multiple supplies *Tax Information Bulletin* Vol 30, No 10 (November 2018): 5.

¹⁷ Section 5(15).

¹⁸ Definition of "principal place of residence" in s 2.

¹⁹ Section 5(15)(a).

Supplies of a dwelling used exclusively for residential rental accommodation for 5 years or more

32. There may be a separate supply from the supply of other land when there is a supply of a dwelling that has been used exclusively for making supplies of residential rental accommodation for 5 years or more before the date of supply.²⁰
33. For property to be used “exclusively” for making supplies of rental accommodation, it must have been used only for residential rental purposes and for no other purposes for a period of 5 years immediately before sale. This does not apply, for example, where someone purchases a property for development and sale and rents it for 5 years while waiting to sell it. In this case, they have not used the property exclusively for making supplies of rental accommodation because it is also being used for development and sale.

Supplies removed from a taxable activity

34. In some cases, a person can elect to treat the sale of assets such as a property as not being part of their taxable activity.²¹ When a person elects to do this, the election results in the supply of the property being a separate supply from any other land.²² The person makes the election by treating the sale of the property as not being part of the taxable activity in their GST return (ie, by not returning GST output tax).
35. To be able to make the election, a registered person must:
- not have previously claimed an input tax deduction in relation to the property before sale, excluding non-integral deductions;
 - not have acquired or used the property for the principal purpose of making taxable supplies; and
 - not have acquired the property as a zero-rated supply (unless they made an output tax adjustment for the GST component).

Purchaser intends to use the land for making taxable supplies

36. For the purposes of applying the CZR rules, a purchaser’s registration status is determined as at the date of settlement.

²⁰ Section 5(15)(b) and 14(1)(d).

²¹ Section 6(3)(e).

²² Section 5(15)(c).

37. At settlement, the CZR rules require a purchaser to acquire the land with the intention of using it for making taxable supplies. The land does not need to be intended to be wholly or even principally used for making taxable supplies. Even if a purchaser intends using only some of the land for making taxable supplies, the CZR rules will still apply to zero-rate the whole supply if the other conditions at [12] are met.
38. The GST apportionment rules will instead require a purchaser to make an initial GST output tax adjustment if, on acquisition, they do not intend to use the land (or other goods acquired as part of the same supply) wholly for making taxable supplies.
39. In determining the extent to which goods or services are used for making taxable supplies, a person must estimate how they intend to use the goods or services, choosing a determination method that provides a fair and reasonable result.²³ If actual use changes over time, subsequent adjustments may also be needed.²⁴ For further discussion of adjustments see [65].
40. Usually, the purchaser's immediate intention for using the land (ie, at settlement) will provide the best indication of how they will use it for the purposes of the CZR rules. However, sometimes, at settlement, a purchaser may have a well-developed overall plan for using the land that clearly evidences how they intend to use it. Where that plan provides a fair and reasonable result for the purchaser's intended use of the land, it may be an appropriate indicator of how the land will be used for the purposes of the CZR rules.
41. A purchaser's GST registration, including registration for another taxable activity, does not by itself establish that the purchaser intends to use the land for making taxable supplies. It is the purchaser's GST registration status in respect of the land and their intended use of the land at settlement that determines whether the CZR rules apply. This does not affect the supplier's ability to rely on information provided by the purchaser to determine whether the sale is compulsorily zero-rated (see from [75]).
42. Example | Tauira 1 illustrates a standard-rated supply where the purchaser does not intend to use any part of the property acquired for making taxable supplies. Example | Tauira 2 illustrates standard-rated supplies where the purchaser intends to use part of the property for making taxable supplies.

²³ Section 20(3G).

²⁴ Under s 20(3J).

Purchaser does not intend to use the land as a principal place of residence

43. A supply consisting wholly or partly of land will not be zero-rated if the land or any part of it will be used as the principal place of residence of the purchaser or their relatives.
44. Unlike the test for determining whether there is a separate supply of a principal place of residence in a wider supply of land (see from [29]), for the purposes of determining whether the CZR rules apply, it is the purchaser's intention, not the vendor's use of the property that is relevant. The relevant time for assessing the purchaser's intention is at the date of settlement.
45. "Principal place of residence" means the premises will be occupied as the purchaser's (or their relatives') main residence.
46. A relative is a person who is connected to the purchaser:
 - within two degrees of blood relationship;
 - by marriage, civil union or de facto relationship; or
 - through adoption.²⁵
47. The "principal place of residence" exclusion from the CZR rules is limited to purchasers who are natural persons, because only a natural person can have a principal place of residence or a relative. For further discussion of a "principal place of residence", see from [29].
48. Example | Tauira 3 and Example | Tauira 4 illustrate supplies involving a principal place of residence.

Example | Tauira 1 – Standard-rated supply of a new house

Big Sea Developers Limited is a GST-registered property developer in Papamoa. It is in the business of building and selling new homes and has developed a new subdivision. Sally, a GST-registered hairdresser, loves the seaside lifestyle and agrees to purchase a new house from Big Sea Developers. She intends to live in the house but not to work from home. Sally completes Schedule 1 of the TLANZ Agreement, in which she notifies Big Sea Developers in writing about how she intends to use the property before settlement date.

²⁵ Section 2A(1)(c).

Sally's purchase of a new house from Big Sea Developers is standard-rated for GST. The developer's supply of the house is a taxable supply because the house forms part of the developer's taxable activity. The CZR rules do not apply to zero-rate the supply because, although Sally is GST-registered, she does not intend to use the house to make taxable supplies and she will be using the house as her principal place of residence. Sally will not be entitled to claim a GST input tax deduction for the purchase because she will not be using the house in her taxable activity.

Example | Tauira 2 – Standard-rated supply of bare land and a warehouse

Stephen, a GST-registered property developer, purchases:

- bare land from a GST-registered vendor, on which he intends to develop his own residence; and
- a three-storey warehouse from another GST-registered vendor.

At the time of purchase, Stephen intends to use the lower two levels of the warehouse as his business premises, with the top level likely to be reconfigured and rented out to his son as a principal place of residence.

The supply of the bare land will not be zero-rated as Stephen is not acquiring the land for making taxable supplies, but to build his own residence which is private use.

The supply of the warehouse will not be zero-rated because at settlement a part of the property is intended to be rented out as a principal place of residence by a relative. Stephen completes Schedule 1 to the TLANZ Agreement ensuring the vendor knows about his intentions for the property before the settlement date. The supply of the part of the property that will later be used for the residence is not a separate supply because the vendor is not supplying an existing principal place of residence at that time. The supply is standard-rated.

Stephen may claim GST input tax deductions only to the extent the property will be used for making taxable supplies (ie, in his business).

If Stephen had purchased the warehouse through a development company rather than in his own name, the CZR rules would likely apply to zero-rate the supply, as the company would be renting the residence to Stephen's son, who is not a relative of the company. The company cannot intend using part of the land as its own principal place of residence. In that case, on acquisition, the company would need to make an output tax adjustment for the intended non-taxable use of the land and, subsequently, would

need to consider whether any further adjustments are needed at the end of each adjustment period. See from [67].

Example | Taura 3 – Supply of land, business and dwelling

Dylan owns a garden centre in Levin that he is selling to his neighbour, Sharon. The agreement provides for transferring all of the business assets to Sharon, including the garden centre land, the shop, and a small house and garden that Dylan and his family built when they established the business. Dylan has not treated the house and its curtilage as part of his taxable activity.

Both Dylan and Sharon are GST-registered. Sharon advises Dylan in writing that she intends using the garden centre assets for the purpose of making taxable supplies. Sharon intends to build a private garage, which will involve carving off some of the garden centre land that adjoins her existing house next door to the garden centre. She also plans to convert Dylan's house into a café, so no one will be living in the house after settlement.

Where a supply includes a principal place of residence, the supply of the principal place of residence is deemed to be separate from the supply of any other real property included in the supply. Accordingly, the supply of Dylan's home and curtilage needs to be treated separately from the supply of the rest of the garden centre assets for GST purposes.

Under the CZR rules, the whole of the remaining supply of garden centre assets (ie, other than the house and curtilage) must be zero-rated because the supply wholly or partly consists of land, and:

- Dylan and Sharon are both GST-registered;
- Sharon intends using at least some of the garden centre assets for making taxable supplies; and
- Sharon does not intend to use the land acquired as a principal place of residence for herself or for any of her relatives.

The supply of Dylan's house and curtilage to Sharon is not subject to GST because these assets never formed part of his taxable activity. Sharon may claim a second-hand goods input tax deduction for the purchase of Dylan's house and curtilage because she will be using them in her taxable activity for making taxable supplies.

Dylan returns the sale of the garden centre assets (other than his house and curtilage) as a zero-rated supply. He also keeps sufficient records about the sale to satisfy the record-keeping requirements.

Even though Sharon does not intend to use all the garden centre assets for making taxable supplies, all of the remaining supply of the garden centre assets (ie, other than the house and curtilage) must be zero-rated.

On acquisition, Sharon estimated (using a method that produces a fair and reasonable result) that she intends using 20% of the remaining garden centre land for her private purposes (ie, for building her private garage). On that basis, she calculates the output tax adjustment and accounts for the output tax in her return. If Sharon's actual use of the land is different from her intended use, she may need to make further adjustments for the change in use under the apportionment rules. Sharon keeps accurate records about the portion of land used in her taxable activity, and any adjustments made, for GST purposes.

Example | Tauria 4 – Supply that includes a principal place of residence

Liam is GST-registered and has owned a two-storey building for 6 years. When he initially purchased the property, it was zero-rated under the CZR rules.

During the 6-year period, Liam leased the ground floor to a retail company and rented the first floor to tenants as residential rental accommodation. Together, the land and the ground floor are approximately 60% of the property, while the first floor is approximately 40% (based on the floor plans). On acquisition, Liam had calculated the nominal GST component and attributed 40% as output tax.

David purchases the building from Liam for \$2,000,000 plus GST, if any.

David is GST-registered and intends to convert the first floor into a retail space and lease both floors to a retail company under a 10-year lease. The supply of the first floor is a separate supply from the other property included in the supply as it is currently being used as a principal place of residence.

Liam has already attributed 40% as output tax because of the use of the first floor for residential rental accommodation and that has not subsequently changed. Therefore, he is not required to make an adjustment on disposal of the property.

The supply of the first floor is an exempt supply and did not form part of Liam's taxable activity. As the supply is exempt, David can claim a second-hand goods input

tax deduction relating to that supply as he will be using the first floor in his taxable activity.

The supply of the ground floor and land is zero-rated because it meets the CZR criteria. Therefore, David cannot claim an input tax deduction in relation to this supply.

David is required to maintain taxable supply information for the purchase and use of the property. The taxable supply information must clearly show the two separate supplies and the GST treatment for each. David should also keep a record of the apportionment between the first floor and the rest of the property.

Agreeing to treat the supply as a supply of a going concern

49. The parties to a supply including land that is subject to the CZR rules can also agree to treat the supply as the supply of a taxable activity that is a going concern.²⁶ This is because the going concern rule and the CZR rules can both apply to the same supply to treat it as being zero-rated. Neither rule excludes the application of the other.
50. Where both the going concern rule and the CZR rules apply to the same supply, then the GST-registered purchaser may still need to make an output tax adjustment. This is because an adjustment needs to be considered whenever the CZR rules apply to a supply. The application of the going concern rule in that situation does not prevent the requirement to make an adjustment.²⁷ Adjustments are discussed from [65].

Commercial leases

51. The CZR rules apply to “interests in land” and agreements for the supply of “interests in land”. A lease is an interest in land. Leases of dwellings are excluded from being land for CZR purposes. Supplies involving commercial leases are included in the CZR rules in specific cases.
52. Transactions involving commercial leases that have certain characteristics making them substitutable for land sales or other land transactions may be subject to the CZR rules. These transactions are:
 - the grant, assignment or surrender of a commercial lease (see from [54]);
 - the reverse surrender of a commercial lease (see [57]);

²⁶ Section 11(1)(m).

²⁷ Section 20(3J) and 11(1)(mb).

- the payment of irregular lump-sum payments to a lessor that exceed 25% of the total consideration under the lease agreement (see from [58]); and
- the procurement of a commercial lease by a third party (see from [61]).

53. For each of these commercial lease transactions to be subject to the CZR rules, all of the requirements in [12] must still be met.

Grant, assignment or surrender of a commercial lease

54. The sale of a business may be conditional on the grant of a new lease or the assignment of an existing lease over business premises.²⁸ The CZR rules may apply where:

- an existing lease is surrendered by the lessee and a new lease is granted by the lessor to the purchaser; or
- the vendor subleases or assigns their lease to the purchaser.

55. In both cases, the requirements in [12] must still be met. This is illustrated in Example | Taura 5.

56. Where a lease is assigned together with a supply of other business assets, both the lease assignment and other business assets will be zero-rated if they are part of a single composite supply. This is the case even if no separate consideration is allocated to the lease assignment. Example | Taura 6 illustrates this. The transaction may instead be zero-rated as a transfer of a going concern (see [49] to [50]).

Reverse surrender of a commercial lease

57. When a landlord receives a payment for the reverse surrender of a commercial lease (that is, where a tenant pays the landlord to take back a lease and the landlord surrenders their contractual right to receive further lease payments), the surrender is subject to the CZR rules.²⁹

²⁸ Section 11(8D)(a). Before 1 April 2023, the grant of a lease was not subject to the CZR rules.

²⁹ Section 11(8D)(ab).

Payment of irregular lump-sum payments

58. Rental payments under a commercial lease are generally standard-rated for GST purposes. However, irregular lump-sum payments made by a tenant to their lessor are subject to the CZR rules when:
- the requirements in [12] are met;
 - the irregular lump-sum payments are made under a commercial lease agreement of at least 1 year; and
 - the combined value of the lump-sum payments exceed 25% of the total consideration under the lease agreement.³⁰
59. In this situation, only the lump-sum payments are zero-rated. Regular lease payments such as rent remain standard-rated.³¹ Example | Tauira 7 illustrates this.
60. Before 1 April 2023, if a zero-rated irregular lump-sum payment of more than 25% of the total consideration outlined in the lease agreement was made, any subsequent payments including rent would also have to be zero-rated.³²

Procurement of a commercial lease by a third party

61. An arrangement for the surrender of a lease and the grant of a new lease to another person is subject to the CZR rules if all the following three elements are satisfied:
- The supply is made to a person who is not the lessor. The lessor in this context is the person who is supplying an interest in land under the lease agreement to the tenant.
 - The supply is made under an arrangement that involves the:
 - tenant's surrender of the interest in land to the lessor; and
 - supply by the lessor of the interest in land under another lease agreement to a person other than the tenant.
 - The supplies of the interests in land under the lease agreements meet the requirements set out in [12].³³

³⁰ Section 11(8D)(b) and definition of "lump-sum payment" in s 11(9).

³¹ Section 11(8D)(b).

³² Section 11(8D)(b) was replaced, on 1 April 2023, by s 133(2) of the Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023 (2023 No 5).

³³ Section 11(8D)(c).

62. These requirements are likely to be relevant when:

- A business is sold and a lease is novated or a new lease is otherwise procured for the purchaser. This is illustrated in Example | Tauria 8.
- An expired lease continues on an implied term under the Property Law Act 2007 (PLA) and is surrendered (with a new lease being granted by the vendor's lessor to the purchaser) (see [63]).
- A vendor supplies lease procurement services and business assets as a single composite supply on the sale of a business where a lease is cancelled under the PLA because the tenant has fallen into rent arrears (see [64]).

Lease continues on an implied term

63. A lease continuing on an implied term under s 210(1)(b) of the PLA is a "statutory tenancy" and a "short-term lease".³⁴ A lessee who occupies land under a "short-term lease" has a legal interest in the land.³⁵ However, this is subject to the Land Transfer Act 2017.³⁶ The lessee's legal interest in the short-term lease can be defeated in the same way as an equitable interest by the registration without fraud of an adverse interest.³⁷ This is illustrated in Example | Tauria 9.

Lease procurement services and business assets as a single composite supply

64. The PLA allows a lessor to cancel a lease if a tenant is in rent arrears for at least 10 days, the lessor gives notice to the tenant of their intention to cancel and the arrears have not been paid at the expiry of the notice period.³⁸ In this situation, the vendor's landlord may grant a new lease to the purchaser of the business assets. Example | Tauria 10 illustrates this.

Example | Tauria 5 – Zero-rated assignment of a commercial lease

J Ltd is carrying on a taxable activity and is registered for GST. J Ltd's business premises are leased. J Ltd is moving to larger business premises and enters into an

³⁴ Section 207 PLA.

³⁵ Section 209(1) PLA.

³⁶ Section 209(2) PLA.

³⁷ See Hinde, McMorland & Sim, Land Law in New Zealand (LexisNexis NZ Limited, online version, (accessed 17 August 2026) at [11.021]).

³⁸ Section 245 of the PLA.

agreement to assign its interest as lessee under the existing lease to a third party (who is also GST-registered and using the premises in their taxable activity).

J Ltd has an interest in land, and is assigning that interest in land to the third party. The lease assignment is zero-rated under the CZR rules.

Example | Tauria 6 – Lease assignment on business asset sale

M Ltd enters into an agreement to sell its business (including the lease of the business premises) to a third party. The agreement for sale and purchase of the business provides that the lease will also be assigned as part of the deal, but no consideration is allocated to the lease assignment in the agreement.

M Ltd has an interest in land, and it is assigning that interest in land to the third party. The sale of business assets (including the lease assignment) is zero-rated (assuming the lease and other business assets are supplied as a single composite supply).

Example | Tauria 7 – Irregular lump-sum payments exceed 25% threshold

Anthony owns a commercial property in a large city and is registered for GST. On 1 May 2026, he enters into an agreement to lease the property for 5 years to a company operating a restaurant, with a right of renewal for a further 5 years.

Under the lease agreement, the company is required to pay monthly rent of \$7,000 (\$84,000 a year), plus annual irregular lump-sum payments for 2 years: \$75,000 on 30 April 2026 and again on 30 April 2027.

The total consideration payable under the agreement is \$570,000 (ie, monthly payments of rent plus the two irregular lump-sum payments). The total of the two irregular lump-sum payments (\$150,000) is more than 25% of the total consideration payable and is subject to the CZR rules.

The two irregular lump-sum payments of \$75,000 must be zero-rated. Regular monthly rent payments made before and after these annual payments are standard-rated.

Example | Tauira 8 – Lease procurement

E Ltd is carrying on a taxable activity and is registered for GST. E Ltd's business premises are leased but the lease cannot be assigned.

E Ltd enters into an agreement to sell its business assets to J Ltd. During negotiation of the sale agreement for the business, it is agreed that E Ltd will use all reasonable endeavours to procure that the landlord will enter into a new lease agreement over the premises with J Ltd. The surrender of the existing lease and the grant of the new lease are closing actions in the agreement for sale and purchase.

The business asset sale agreement, the surrender, and the grant of the new lease will together constitute an "arrangement" for these purposes because they are interconnected and are being undertaken to achieve a single commercial outcome.³⁹

E Ltd has an interest in land, and it is surrendering that interest in land so the landlord can enter into a new lease with J Ltd. The sale of the business is zero-rated (assuming the lease procurement services and business assets are supplied as a single composite supply).

Example | Tauira 9 – Lease continuing on implied term

A Ltd has been carrying on a taxable activity at a building it has leased. The lease has now expired. The landlord has allowed A Ltd to continue to use the premises, meaning the lease continues on an implied term under s 210 of the Property Law Act 2007.

A Ltd enters into an agreement to sell its business assets to S Ltd.

During negotiation of the sale agreement for the business, it is agreed that A Ltd will surrender its lease and the landlord will enter into a new lease agreement over the premises with S Ltd. The surrender of the existing lease and the grant of the new lease are closing actions in the agreement for sale and purchase. The lessee's legal interest in land has not been defeated by the registration without fraud of an adverse interest.

A Ltd has an interest in land, and it is surrendering that interest in land so the landlord can enter into a new lease with S Ltd. The sale of the business is zero-rated (assuming the lease procurement services and business assets are supplied as a single composite supply).

³⁹ *CIR v Europa Oil (NZ) Ltd* [1971] NZLR 641 (PC).

Example | Tauira 10 – Cancellation of a lease following rent arrears

C Ltd is carrying on a taxable activity but has been experiencing financial difficulties. It enters into an agreement to sell its business assets to M Ltd.

The premises are an important element of the business. However, due to C Ltd's financial difficulties, it has rent arrears. The landlord has served a notice to cancel the lease of the premises in accordance with s 245 of the Property Law Act 2007.

As the lease is being cancelled it cannot be assigned to M Ltd. During negotiations of the sale agreement for the business, it is agreed that M Ltd will pay an amount to the landlord and the landlord will enter into a new lease agreement with M Ltd.

The grant of the new lease is a closing action in the sale agreement.

The supply will be zero-rated (assuming the lease procurement services and business assets are supplied as a single composite supply).

When purchasers must make output tax adjustments for non-taxable use

65. Purchasers who acquire land (along with other goods, if relevant) to which the CZR rules apply may need to make output tax adjustments to account for any non-taxable use. Specifically, they may need to make adjustments:
- when they acquire the land;⁴⁰ and
 - in later adjustment periods under the adjustment rules.⁴¹

Adjustments when the goods are acquired

66. At the time they acquire land as a zero-rated supply, the purchaser must take all of the following steps:
- Identify the "nominal GST component" that would have been chargeable if the supply of goods had been standard-rated. To do so, they add GST at the standard rate to the agreed consideration for the supply.

⁴⁰ Section 20(3J)(a).

⁴¹ Section 20(3J)(b) and the adjustment rules (ss 21, 21A to 21C, 21CB, 21D to 21F, 21FB, 21G and 21H).

- Determine the extent to which they intend to use the land (and any other goods acquired) for making taxable supplies. To do so, they choose a determination method that produces a fair and reasonable result.
- Calculate the proportion of the nominal GST component for any non-taxable use of the goods (using the non-taxable component from the determination method applied above).
- Include the non-taxable use proportion of the nominal GST component as an amount of output tax in their GST return for the period the supply is attributed to.⁴²

Subsequent adjustments

67. Further output or input tax adjustments may be needed in subsequent adjustment periods to reflect an increased or decreased use of the land (or other goods) in a taxable activity. To do this, a purchaser compares the intended use of the land as determined at the time of acquisition against the actual use of the land at the end of an adjustment period.
68. Adjustments are not permitted where:
- the value of the goods or services, excluding GST, is \$10,000 or less (although this will be unlikely to apply to land);
 - the difference between the percentage intended use on acquisition and the percentage actual use for the relevant adjustment period is less than 10% and the adjustment is \$1,000 or less; or
 - the difference between the previous actual use calculated for the most recent adjustment period in which an adjustment was made and the percentage actual use for the relevant adjustment period is less than 10% and the adjustment is \$1,000 or less.⁴³
69. Adjustments may be required for the concurrent use of land where the purchaser is using the same area of land for making concurrent taxable and non-taxable supplies.⁴⁴
70. Example | Tauira 11 illustrates where an adjustment is required for a change in taxable use.

⁴² Sections 20(3J)(a)(i) to (iv), 20(3G) and 20(4).

⁴³ Section 21(2).

⁴⁴ Section 21E.

Example | Tauira 11 – Adjustment for a change in taxable use

A GST-registered company purchased land, including a house, on 1 May 2025 for \$1,000,000, intending to use it 100% for taxable purposes (as a new office space). The supply was zero-rated under the CZR rules.

The company decided not to use the property as it originally intended and instead rented it out as temporary residential rental accommodation (an exempt supply). The company must make an adjustment in its GST return to reflect the change in use and pay the resulting GST.

Disposal of land

71. Some supplies are deemed to be taxable supplies to ensure that registered persons account for GST on the sale of an asset or cessation of registration when they have not made adjustments to reflect non-taxable use.⁴⁵
72. This situation includes the disposal of land for which the person has previously claimed taxable use (and claimed input tax deductions or where the acquisition was zero-rated). For example, a purchaser may have made deemed taxable supplies where they:
 - acquired land that was zero-rated under the CZR rules;
 - either:
 - disposed of the land; or
 - ceased to be a registered person; and
 - was not using the land in the course or furtherance of a taxable activity at the time the land is disposed of or deemed to be supplied.
73. In this case, if the person has not previously returned output tax for the land that is equal to or greater than the nominal GST component (see [66]) for zero-rated supplies or has failed to make adjustments under the adjustment rules for later adjustment periods, the disposal of the land will be deemed to be a taxable supply.
74. The person is treated as making the disposal in the course or furtherance of a taxable activity. Where the person has ceased to be a registered person, the land is deemed to be supplied immediately before their registration ceased. Where there is a deemed

⁴⁵ Section 5(16C).

supply, the Commissioner can temporarily register the person for GST, assess GST on the supply of the land and then deregister that person.⁴⁶

Information a purchaser must provide to a vendor

75. When making a supply that wholly or partly consists of land, the vendor has to determine whether the supply is zero-rated. To do this, the vendor must be aware of their own GST-registration status at settlement as well as that of the purchaser (or their nominee or undisclosed principal, see [83] to [84]). The purchaser has a legal obligation to provide specified information to the vendor to enable the vendor to determine the correct GST treatment of the supply.
76. The purchaser must notify the vendor at or before settlement as to whether they:
- are, or expect to be, a GST-registered person at the time of settlement (when they must provide their GST registration number);
 - are acquiring the land and any other goods that may be part of a single composite supply with the intention of using them (wholly or partly) for making taxable supplies; and
 - intend using the land as a principal place of residence for themselves (or a relative).⁴⁷
77. The purchaser needs to notify the vendor in writing either using electronic means (eg, email) or through delivering a handwritten or printed document.⁴⁸ The vendor cannot waive the purchaser's statutory requirement to notify them.⁴⁹
78. In most cases, when a purchaser and vendor enter into a transaction involving the supply of land, the purchaser satisfies the notice requirement by completing a schedule to the written sale and purchase agreement (eg, Schedule 1 to the TLANZ Agreement).
79. The purchaser is required to notify the vendor at or before settlement.⁵⁰ If a purchaser is not registered for GST when they enter into the sale and purchase agreement but intends to register before settlement, they may indicate in their notice to the vendor that they expect to be registered for GST by the settlement date.

⁴⁶ Sections 51B(4) and (5).

⁴⁷ Section 78F(2).

⁴⁸ See s 14C of the Tax Administration Act 1994.

⁴⁹ Section 78F and *Y & P NZ Limited v Wang* [2017] NZCA 280.

⁵⁰ Section 78F(2).

80. If, before settlement, a purchaser's circumstances change so an earlier notice (eg, the notice provided in Schedule 1 to the TLANZ Agreement) is no longer correct, the vendor will not be able to apply the correct GST treatment to the supply. Notifying the vendor of the relevant changes in this situation, at or before settlement, will ensure the purchaser has complied with the requirement to give notice and will enable the vendor to apply the correct GST treatment to the supply for the parties.⁵¹

When the purchaser does not provide the required information

81. If the purchaser does not notify the vendor, or supplies incorrect information, this will not prevent the CZR rules from applying to zero-rate the supply where, at settlement, the conditions for zero-rating (at [12]) are met. If the vendor incorrectly standard-rates or incorrectly zero-rates a supply, both the vendor and the purchaser will need to make corrections to the GST treatment of the supply. See from [105].
82. If a purchaser does not provide the vendor with information that meets the requirements set out at [76] (ie, the information is either incorrect **or** insufficient), the vendor incorrectly zero-rates the transaction and the error is found only after settlement, the purchaser may be required to return the output tax on the supply. The supply is treated as being made on the date on which the error is found. See from [96].

When the recipient of the land is a nominee

83. If the purchaser who contracts with the vendor does not intend to receive the supply themselves but nominates or intends to nominate a third party to receive the supply, the purchaser is required to notify the vendor with the required information as they expect it to apply to the circumstances of the nominated person. The nominated person may also provide the required information.⁵² A vendor cannot rely on a purchaser's statement where a nomination has occurred, unless the purchaser's statement is about the nominee's position. Ultimately, it is the GST-registration status and intentions of the recipient of the supply that must be communicated in writing to the vendor before or at settlement. Example | Tauira 12 illustrates this requirement.

⁵¹ See *Y & P NZ Limited v Wang* [2017] NZSC 126.

⁵² Section 78F(5).

Example | Tauira 12 – Zero-rated supply of land to a purchaser's nominee

Tidy Motors Limited is moving to bigger premises in Wiri and has agreed to sell its existing building to John. John intends to use the building to carry on his joinery business. The agreement provides that the consideration for the supply includes any rates and body corporate fees that Tidy Motors Limited paid for the premises before settlement date, which will be apportioned between Tidy Motors Limited and John at settlement.

When John agrees to purchase the new premises, he completes the sale and purchase agreement as an individual. However, before settlement, he decides to nominate his company, Treegoods Limited, to be the actual purchaser. Accordingly, before settlement he notifies Tidy Motors Limited of this change and advises Tidy Motors Limited in writing that Treegoods Limited is GST-registered, that the company intends using the premises for carrying on its business, and, as the purchaser is a company, no part of the premises will be a principal place of residence.

The supply of the premises must be zero-rated under the CZR rules as the supply wholly or partly consists of land and:

- Tidy Motors Limited and Treegoods Limited are both GST-registered;
- the building will be used for the purpose of making taxable supplies; and
- it will not be a principal place of residence for the purchaser (a company).

The sale of the premises is a supply of land and Tidy Motors Limited treats it as a zero-rated supply (including the apportioned rates and body corporate fees). Tidy Motors Limited includes the zero-rated sale in its GST return and makes sure sufficient records about the sale are retained to satisfy its record-keeping requirements. Treegoods Limited does not claim an input tax deduction because the supply was zero-rated.

When the purchaser is acting as an agent for an undisclosed principal

84. When the vendor is making the supply to a person acting as agent for an undisclosed principal who is purchasing the land, the same rule applies as at [83]. That is, the information to be provided to the vendor is about the undisclosed principal's position. The purchaser meets the notification requirement in that case if the agent notifies the vendor that the purchaser, as principal, will meet the requirements set out at [76] at settlement. However, in cases involving an agent acting on behalf of an undisclosed principal, the agent is required to provide their GST number or IRD number to the

vendor at or before the date of settlement.⁵³ It may also be necessary to update the notice so that the vendor has the correct information at settlement.

When a lender exercises a power of sale

85. If a lender makes a supply wholly or partly consisting of land under a power of sale in satisfaction of a debt,⁵⁴ the purchaser meets the notification requirements by providing the required information to the lender. The purchaser must provide the information required to the lender because the lender is undertaking the sale. For example, the information should be provided to the bank under a mortgagee sale. The purchaser is not required to provide the information to the owner of the property (who has borrowed money from the bank). However, for the purposes of determining whether the supply is zero-rated under the CZR rules, the supply is treated as being made by the owner and not by the lender.⁵⁵

Record-keeping requirements

86. GST-registered persons are required to keep specific information for each supply they make. This is in addition to the general requirement on all GST-registered persons to issue taxable supply information and supply correction information.

Specific record-keeping requirements for a CZR supply

87. For a CZR supply, the vendor must keep sufficient records to be able to determine the following details in relation to the supply:
- the name and address of the purchaser;
 - the GST number or IRD number of the purchaser (if known);
 - a description of the land; and
 - the consideration paid for the supply.⁵⁶
88. Where the vendor makes the supply to an agent for an undisclosed principal (the purchaser), they must keep sufficient records to be able to ascertain the name, address and GST number or IRD number of the agent (if the principal is a registered person or

⁵³ Sections 78F(6) and (7).

⁵⁴ Section 5(2).

⁵⁵ Section 5(22).

⁵⁶ Section 75(3B).

expects to be a registered person). In turn, the agent needs to keep sufficient records to do the same for the principal.⁵⁷

Taxable supply information

89. GST-registered persons must keep “taxable supply information” (TSI) as evidence of a taxable supply of goods or services.⁵⁸ The TSI required depends on the value and the type of supply and does not need to be in a single physical document (eg, an invoice). For the sale of assets (including land), the TSI that GST-registered persons must retain for supplies exceeding \$1,000 is:
- the name and registration number of the supplier;
 - recipient details for the recipient;
 - the date of the invoice or, where no invoice is issued, the time of supply;
 - a description of the goods or services; and either:
 - the total amount of the consideration for the supply and a statement that the amount includes GST; or
 - the amount of GST charged, the total consideration for the supply excluding the GST and the total amount including GST.⁵⁹
90. Where TSI is issued on payment of a deposit and the time of supply is triggered, and the vendor incorrectly accounts for GST before settlement, the vendor must issue “supply correction information” (SCI). See from [91].

Supply correction information

91. Where a GST-registered vendor has issued TSI that contains an inaccuracy in the amount of tax charged, they must provide SCI to the purchaser.⁶⁰
92. SCI consists of:
- the name and the registration number of the supplier;

⁵⁷ Section 75(3C) to (3E).

⁵⁸ The record-keeping requirements for GST changed from 1 April 2023 with the introduction of “taxable supply information” (TSI). See the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act 2025.

⁵⁹ Section 19E(2)(a).

⁶⁰ Section 19N(2).

- information identifying the TSI;
 - the date of the SCI; and
 - the correction to the TSI, including, if relevant, a correction to the amount of GST charged for the supply.⁶¹
93. Where a GST-registered purchaser is issued with SCI that shows that the correct amount of output tax on the supply exceeds the amount included in the TSI, they must make an adjustment in their GST return. For how to make the adjustment see s 25.
94. SCI cannot be issued after the earlier of the following dates that apply to the supply:
- 8 years, where an overpayment of tax resulted from a clear mistake or simple oversight; or
 - 7 years from the date of settlement, where the supply was not zero-rated because the CZR rules were incorrectly applied; or
 - where the supply is not described above, 4 years from the period in which the return was provided for the supply.⁶²
95. For example, if a supply of land was incorrectly standard-rated, SCI cannot be issued if 7 years have passed from the date of settlement. If the supply of land was incorrectly zero-rated, SCI cannot be issued if 4 years have passed from the period in which the return was provided for the supply.

When the GST treatment is incorrect

96. The vendor's decision as to whether to zero-rate the supply is based on their knowledge of their own GST-registration status and the information they receive from the purchaser's notice to them.
97. Sometimes a vendor's GST treatment of a transaction involving land may be incorrect. For example:
- a purchaser enters into a TLANZ Agreement on the basis they will not be GST-registered, but it transpires that, in fact, they will be or should have been GST-registered at or before the settlement date; or

⁶¹ Section 19E(1).

⁶² Section 19N(7).

- after the time of supply but before settlement, a purchaser nominates a third person (the nominee) to settle the transaction and the nominee fails to notify the vendor; or
 - the Commissioner backdates a person's GST registration to a period before settlement.⁶³
98. The approach to addressing incorrect GST treatment differs depending on whether the mistake is discovered before or after settlement. See from [100].
99. The Commissioner may amend the vendor's assessment to correct it. The statutory time bar applies to any amendments except in certain circumstances. See [SPS 23/01: Disputes process](#) for more information on when the Commissioner can amend an assessment beyond the time bar.⁶⁴ Depending on the underlying reasons why a supply has been incorrectly treated for GST, shortfall penalties may apply.

Correcting the GST treatment before settlement

100. For a supply to be zero-rated, it must meet the conditions at [12] at the time of settlement. However, under the time of supply rules,⁶⁵ often a vendor needs to determine whether the supply is standard-rated or zero-rated before settlement.
101. If the purchaser's intention or status changes after they provide the required information to the vendor but before settlement, updating the vendor in writing before settlement may prevent the GST position being incorrect at settlement. This might also be a contractual requirement in the sale and purchase agreement. Updating the vendor before settlement allows the vendor to reconsider whether the CZR rules apply.
102. For example, when the purchaser entered into the sale and purchase agreement, they may have notified the vendor that they expected to be GST-registered at the time of settlement. The vendor relies on the purchaser's notice and zero-rates the transaction when the purchaser pays the deposit.⁶⁶ However, after the time of supply but before settlement, the purchaser nominates a third person (the nominee) to settle the transaction. For CZR purposes, the purchaser or the nominee must provide the

⁶³ See [SPS 18/03: Effective date of GST registrations](#) *Tax Information Bulletin* Vol 30, No 8 (September 2018): 15, for further information on the factors the Commissioner will take into account in backdating a GST registration.

⁶⁴ SPS 23/01: Disputes process *Tax Information Bulletin* Vol 35, No 3 (April 2023): 48.

⁶⁵ Section 9.

⁶⁶ The time of supply under s 9(1).

information required (see [76]) about the nominee's circumstances.⁶⁷ In this example, this means that the nominee must provide an updated notice. The nominee notifies the vendor in writing that they will not be a registered person at the time of settlement. The vendor must now standard-rate the supply. The same applies where the parties become aware that, at settlement, a transaction should be zero-rated rather than standard-rated.

103. Changes in the GST treatment of a supply can affect the commercial pricing of the transaction. Whether they do so will depend on the terms of the contract and whether the consideration is stated as being inclusive of GST or "plus GST, if any". Also, if the transaction was incorrectly zero-rated and was settled before the error is found, the purchaser may be treated as if they were a supplier making a taxable supply of the goods on the date on which the error is found (see [117]). Updating a purchaser about any changes to a vendor's GST status prior to settlement may also prevent subsequent issues. For example, if a purchaser loses an expected GST input tax credit because of the vendor's incorrect warranty about their GST status, the purchaser may be able to recover damages for the loss from the vendor as contractual damages.⁶⁸
104. The time for testing the correct GST treatment of a compulsorily zero-rated supply is at settlement.⁶⁹ Where the incorrect GST treatment was applied before settlement (eg, at the time of supply when the taxable supply information was issued and the deposit was paid), the CZR rules do not require the parties to correct the treatment before the settlement date. However, if the mistake is discovered after the time of supply but before settlement, the vendor must issue supply correction information and correct the GST treatment at that time so that the GST treatment is not incorrect at settlement. See from [91] for more information on supply correction information.

Correcting an incorrectly standard-rated supply before settlement

105. If, before settlement, it is found that a supply was standard-rated when it should have been zero-rated, the vendor must correct their GST position. If the vendor has issued TSI showing the supply as standard-rated, they must issue SCI for the GST incorrectly charged on the supply. See from [91].
106. Where the vendor has accounted for an incorrect amount of output tax as a result of an incorrect rate of tax, they must make an adjustment in their GST return. Where the supply was incorrectly standard-rated, the vendor is required to make a deduction of

⁶⁷ Section 78F(5).

⁶⁸ *Ling; Holdaway v Ellwood* [2019] NZHC 792; *The Park Homes Ltd v Miah* [2022] NZHC 1352.

⁶⁹ Section 11(8B).

the amount of the excess from the amount of output tax.⁷⁰ The vendor can only claim a deduction for a supply if they have provided SCI.⁷¹ Payment of any resulting refund may be withheld pending any review of the transaction by the Commissioner.⁷²

107. Where a registered purchaser is issued with SCI, or otherwise becomes aware that any input tax that they have claimed a deduction for exceeds the correct amount, they must make an adjustment in their GST return.
108. Example | Taura 13 illustrates how to correct an incorrectly standard-rated supply before settlement.

Example | Taura 13 – Correcting an incorrectly standard-rated supply before settlement – plus GST, if any

Max, a GST-registered vendor, agrees to sell land to Geoff for \$500,000 plus GST, if any. Geoff informs Max in writing that he does not expect to be GST-registered at the time of settlement and has no intention of using the land for taxable purposes.

Before settlement, Max issues taxable supply information to Geoff, on the basis that the supply is standard-rated and GST of \$75,000 is chargeable on the supply. Geoff pays the deposit to the real estate agent, and the contract is stated as being unconditional.⁷³ This triggers the time of supply, and Max pays output tax of \$75,000.

Following the time of supply but before settlement, Geoff advises Max, again in writing, that his circumstances have changed. Specifically he will be registered for GST at the time of settlement, will use the land for making taxable supplies, and will not use the land as his or any relative's principal place of residence. On this basis, the supply should be zero-rated at settlement. The parties want to achieve the correct GST position before settlement. Therefore, Max issues supply correction information to Geoff and makes an input tax deduction of \$75,000 for the amount of GST output tax already paid. (Note: Payment of any resulting refund may be withheld until settlement occurs to ensure the correct treatment has been adopted.)

⁷⁰ Section 20(3).

⁷¹ Section 20(2)(b).

⁷² Section 46.

⁷³ IS 10/03: GST: Time of supply – payments of deposits, including to a stakeholder *Tax Information Bulletin* Vol 22, No 6 (July 2010): 7.

Settlement occurs and Geoff pays Max the outstanding balance to purchase the land. Geoff's first return period ends after settlement. Geoff claims no input tax deduction for the supply because it is a zero-rated supply.

Correcting an incorrectly zero-rated supply before settlement

109. If, before settlement, a supply is zero-rated when it should have been standard-rated, the vendor must issue SCI. See from [91]. The vendor must also make an adjustment in their GST return and pay the correct GST output tax for the supply.
110. If GST-registered, the purchaser may be able to claim a deduction for a proportion of the input tax paid in relation to the supply subject to the ordinary rules.
111. Example | Tauira 14 and Example | Tauira 15 illustrate situations where a registered person finds before settlement that a supply will be treated incorrectly as a zero-rated supply and what they should do to correct the GST treatment.

Example | Tauira 14 – Correcting an incorrectly zero-rated supply before settlement – plus GST, if any

Tamati, a GST-registered property developer, agrees to sell land to Graeme, who is not registered for GST, for \$1 million plus GST, if any. In the sale and purchase agreement, Graeme specifies that on settlement he will be registered for GST, will acquire the property with the intention of using it for making taxable supplies, and will not use it as his or any relative's principal place of residence. Therefore, the parties treat the supply as zero-rated under the CZR rules.

Before the date of settlement, Tamati issues an invoice and Graeme pays a deposit, triggering the time of supply. Because Tamati treats the transaction as zero-rated, he does not pay any GST output tax.

Following the time of supply but before settlement, Graeme informs Tamati that his circumstances have changed and that he will not be registered for GST at the date of settlement. As a result, the correct GST treatment of the transaction is to standard-rate the supply.

The parties want the correct amount of GST to be paid before settlement. Tamati issues supply correction information to Graeme showing the GST on the supply and returns GST output tax of \$150,000. On settlement, Graeme pays Tamati the balance

of the purchase price plus the \$150,000 of GST but because Graeme is not registered for GST, he claims no input tax deduction for the purchase.

Example | Tauira 15 – Correcting an incorrectly zero-rated supply before settlement – GST-inclusive contract

Troy, a GST-registered property developer, agrees to sell land to Gary, who is not registered for GST, for the GST-inclusive price of \$1 million. In the sale and purchase agreement, Gary advises that on settlement he will be registered for GST, will acquire the property with the intention of using it for making taxable supplies, and will not use it as his or any relative's principal place of residence. Therefore, the parties treat the supply as zero-rated under the CZR rules.

Before the date of settlement, Troy issues taxable supply information, and Gary pays a deposit, triggering the time of supply. Because Troy treats the transaction as zero-rated, he does not pay any GST output tax.

Following the time of supply but before settlement, Gary informs Troy in writing that his circumstances have changed and that he will not be registered for GST at the date of settlement. As a result, the correct GST treatment of the transaction is to standard-rate the supply.

The parties want the correct amount of GST to be paid before settlement. As the parties agreed the purchase price includes GST, Troy issues supply correction information to Gary showing the GST tax fraction on the supply. Troy pays GST output tax of \$130,435. This reduces the purchase price Troy receives for the sale to \$869,565 (GST exclusive). Because Gary is not registered for GST, he claims no input tax deduction for the purchase.

Correcting the GST treatment after settlement

112. Sometimes the correct GST treatment of a supply may not be established until after settlement. The approach to correcting the GST treatment of a supply after settlement varies depending on the circumstances, as set out below.

Correcting an incorrectly standard-rated supply after settlement

113. When a supply that should have been zero-rated is standard-rated and the GST output tax has been returned, the vendor must correct their treatment for GST purposes.

114. To make this correction, the vendor issues SCI to the purchaser for the GST incorrectly charged and claims an input tax deduction for the GST output tax they incorrectly paid.⁷⁴
115. The purchaser must account for output tax for an amount equal to any input tax deduction incorrectly obtained for the supply. This amount of excess tax is attributed to the taxable period in which the SCI is issued, or the purchaser becomes aware of the excess.
116. Example | Tauira 16 illustrates the potential effect of a vendor not understanding their own GST status. Example | Tauira 17 illustrates how to correct the GST treatment when a purchaser should have been GST registered at the date of settlement.

Example | Tauira 16 – Correcting a non-taxable supply after settlement

John and Kim have subdivided their lifestyle block into five sections. They are not registered for GST and have recently sold their first section privately to their neighbour Grant, who is GST-registered. The parties entered into a standard-form sale and purchase agreement. Grant correctly completed the schedule to the agreement. He notified John and Kim that at settlement his intention was to use the land for making taxable supplies and he did not intend to use the land as his principal place of residence.

At settlement, John and Kim charged no GST on the sale and Grant was preparing to claim a second-hand goods deduction for the purchase price when Inland Revenue became aware of the transaction. It became apparent John and Kim should have been GST-registered given their subdivision activities. Accordingly, John and Kim were registered with effect from when they began the subdivision activity. As a result, the sale of the section to Grant should have been zero-rated. This means Grant cannot claim a second-hand goods deduction for the purchase.

Example | Tauira 17 – Correcting an incorrectly standard-rated supply after settlement

Padma, a GST-registered vendor, agrees to sell land to Brent for \$200,000 plus GST, if any. Brent informs Padma in writing that he does not expect to be registered for GST at the time of settlement and does not intend to use the land for taxable purposes.

⁷⁴ Sections 19N(2) and 20(3).

Before settlement, Padma issues taxable supply information, showing GST of \$30,000 for the supply. Brent pays a deposit and the time of supply is triggered, and Padma pays the output tax. The parties settle the transaction.

Shortly after settlement, Inland Revenue investigates Brent and determines that, in fact, he has been carrying on a taxable activity and should have been GST-registered before he entered into the sale and purchase agreement with Padma. His GST registration is backdated to before settlement. Since settlement Brent has been using the land for making taxable supplies and not as his (or any relative's) principal place of residence. This means that at the time of settlement, all conditions for zero-rating were actually satisfied, so the supply should have been zero-rated rather than standard-rated.

On being advised of the incorrect treatment, Padma issues supply correction information and makes an adjustment in her GST return for the taxable period in which the error became apparent.

Padma can claim an input tax deduction of \$30,000 in her next GST return, reflecting the overstatement of output tax. Brent is required to include the sale in his GST return but does not need to make an adjustment when he receives the SCI as the sale was zero-rated so no input tax deduction was available.

Correcting an incorrectly zero-rated supply after settlement

117. From 1 April 2023, where a vendor has incorrectly treated a supply as zero-rated instead of standard-rated, the purchaser is treated as if they were a supplier making a standard-rated supply of the goods on the date on which the error was found.⁷⁵ This treatment applies only when:

- After the date of settlement, the vendor or Commissioner determines that the CZR rules do not apply. For example, the purchaser was not GST-registered at the time of settlement; and
- The purchaser did not provide the vendor with correct or sufficient information, to enable the vendor to determine whether the supply should be zero-rated.⁷⁶

⁷⁵ Section 5(23)(a). Clause 147 of the [Taxation \(Annual Rates for 2026–27, FBT Simplification, Foreign Investment Funds, and Remedial Measures\) Bill](#) proposes 5(23)(a) be replaced to remove a reference to "in a return". The proposed amendment clarifies that section 5(23B) could apply when the supplier used other documents, such as agreements or invoices, to incorrectly treat their taxable supply as a zero-rated supply of land.

⁷⁶ Section 5(23)(b) and (c). See from [127] for treatment prior to 1 April 2023.

118. If the purchaser provided the vendor with correct or sufficient information to confirm the supply was zero-rated, the purchaser is not treated as the supplier of the goods.
119. Example | Tauira 18 and Example | Tauira 19 illustrate situations where a GST-registered person finds after settlement that a supply had been treated incorrectly as zero-rated and what they should do to correct the GST treatment.
120. The value of the supply treated as being made by the purchaser is equal to the consideration for the supply first made to the purchaser.⁷⁷ For GST purposes, the consideration for the original supply is the full purchase price, even if the amount in the sale and purchase agreement is described as being GST inclusive. The supply is treated as being made on the date that the vendor or the Commissioner found that the CZR rules did not apply. The purchaser must include the GST output tax in their relevant GST return.
121. Where the requirements set out at [117] are met, the purchaser is liable to be registered from the date of the supply (the date the error was found). They must also provide the Commissioner with the particulars required to register the purchaser, as if they were applying for registration.⁷⁸
122. The purchaser cannot claim an input tax deduction for any deemed supply made, unless they are entitled to remain GST-registered or they become registered for GST at a later date and use the relevant goods for making taxable supplies.⁷⁹
123. After they have accounted for GST, the purchaser may request that the Commissioner cancel their GST registration. Usually, a person cancelling their registration must account for output tax on any goods and services forming part of the assets of a taxable activity that they carry on. However, this rule does not apply if:
- the purchaser seeks cancellation of their registration by the end of the taxable period in which they have accounted for the output tax; or
 - the Commissioner agrees, after the purchaser makes this application, that the rule does not apply.⁸⁰
124. If the requirements at [117] are not met, but the supply was incorrectly zero-rated, then the vendor must issue SCI to the purchaser. For example, the purchaser may have provided correct and sufficient information to the vendor, but the vendor still

⁷⁷ Sections 5(23B) and 10(7B).

⁷⁸ Section 51B(4).

⁷⁹ Section 20(4B).

⁸⁰ Sections 5(3), 51B(5) and 51B(6).

incorrectly zero-rated the supply. The vendor must also make an adjustment in calculating the tax payable in their GST return.

125. If GST-registered, the purchaser may be able to claim a deduction for a proportion of the input tax paid in relation to the supply subject to the ordinary rules.
126. Table | Tūtohi 1 summarises the general rules for correcting the GST treatment of land transactions.

Supplies made before 1 April 2023

127. Before 1 April 2023, the date on which the purchaser was treated as making a supply was different:
 - Between 30 March 2022 and 31 March 2023, if a transaction was found to be incorrectly zero-rated, the purchaser was treated as making a supply with GST of 15% on the date on which the error was found. This treatment applied whether or not the purchaser had provided incorrect or insufficient information to the vendor.
 - Before 30 March 2022, if it was found that a transaction was incorrectly zero-rated under the CZR rules, the purchaser was treated as making a supply with GST of 15% on the date of settlement. Again, this treatment applied whether or not the purchaser had provided incorrect or insufficient information to the vendor.

Example | Tauira 18 – Correcting an incorrectly zero-rated supply after settlement

Isla agrees to acquire land for a GST-inclusive price of \$1 million. In the notice she provides to the vendor, Isla indicates she is not currently registered for GST but that she will be registered for GST at settlement. She also indicates that she intends using the land for making taxable supplies and will not use the land as her own or any relative's principal place of residence. On the basis of Isla's information, the vendor zero-rates the supply.

The transaction is settled on 1 March 2024. However, after settlement Inland Revenue reviewed Isla's circumstances and determined she was not registered for GST at settlement and she was not carrying on a taxable activity. As a result, the parties had wrongly treated the supply as being zero-rated. The notice that Isla had provided, and that the vendor had relied on, was incorrect. The supply should have been standard-rated.

As Isla did not provide correct information about her GST-registration status and her intended use of the land as required, she is treated as making a supply of the land on the date on which Inland Revenue identified the error and she must account for GST output tax on the supply at the standard rate. Isla is treated as if she is registered at the date on which the error is found and she must apply for registration. If Isla does not register herself, the Commissioner will register her.

Isla must include the GST output tax based on the value of the supply in her GST return. In this case, the value of the supply is an amount equal to the consideration for the original supply. For GST purposes, the consideration is \$1 million, even if described as a GST-inclusive amount. Therefore, the GST output tax Isla must pay is:

$$\$1 \text{ million} \times 15\% = \$150,000$$

Isla cannot claim an input tax deduction on the payment made.

In the same taxable period in which Isla accounts for the output tax, she does not make any other taxable supplies. Therefore, she asks the Commissioner to cancel her registration. The Commissioner confirms that Isla's deregistration relieves her from paying any additional tax on deregistration.

Example | Tauira 19 – Correcting an incorrectly zero-rated supply after settlement

Aaron is GST-registered. He entered into a sale and purchase agreement with ZEB Homes Limited to purchase a property with two buildings on 1 April 2024.

Before settlement, Aaron provided the following information in Schedule 1 of the Agreement:

- confirmation that he is GST-registered;
- his GST number; and
- confirmation that he did not intend to use the land as a principal place of residence for himself or any relative.

Aaron did not provide any information on whether he intended to use the property for making taxable supplies. ZEB Homes zero-rated the supply for GST purposes without clarifying or confirming any of the information that Aaron had provided, or asking for the missing information from Schedule 1.

After settlement, ZEB Homes became aware that Aaron was using the property to provide residential rental accommodation to tenants (an exempt supply). Therefore,

the sale was incorrectly zero-rated. As the information Aaron had provided was insufficient to allow ZEB Homes to determine whether the supply should be zero-rated, Aaron is treated as the supplier of the property.

The date on which ZEB Homes discovered the error is the date on which Aaron is treated as if he made a taxable supply of the property, which is chargeable with GST at 15%. Aaron is therefore required to pay GST of 15% of the purchase price for the property.

Table | Tūtohi 1 – Summary of rules for correcting GST treatment of a land transaction

Treatment of supply	Before settlement of transaction		After settlement of transaction	
	GST-registered Vendor	GST-registered Purchaser	GST-registered Vendor	GST-registered Purchaser
Supply treated as standard-rated when it should have been zero-rated	The vendor must provide supply correction information to the purchaser. If the vendor has furnished an incorrect return, they must claim an input tax deduction for the GST output tax they incorrectly paid. See from [105].	If the purchaser has obtained an input tax deduction, they must make an adjustment in the period in which the supply correction information is issued or they become aware the standard-rated treatment is incorrect. See from [107].	Same as for before settlement. See from [113].	Same as for before settlement. See from [115].
Supply treated as zero-rated when it should have been standard-rated	The vendor must issue supply correction information and pay the GST output tax for the supply. See from [109].	If the purchaser is GST-registered, they may be entitled to an input tax deduction, but only to the extent the goods are intended to be used for making taxable supplies. See from [110].	Where the purchaser is treated as the supplier, the vendor is not required to make any correction. If the error was not caused by incorrect or insufficient information from the purchaser, the vendor must issue supply correction information and pay the GST output tax for the supply. See from [117].	The purchaser is liable for output tax where the parties have incorrectly treated the supply as zero-rated and the purchaser did not provide the vendor with correct or sufficient information. The purchaser is not entitled to an input tax deduction for tax paid, unless they are entitled to remain or later become GST-registered, and then only to the extent the goods will be used for making taxable supplies. See from [120].

Draft items produced by the Tax Counsel Office represent the preliminary, though considered, views of the Commissioner of Inland Revenue.

In draft form these items may not be relied on by taxation officers, taxpayers, or practitioners. Only finalised items represent authoritative statements by Inland Revenue of its stance on the particular issues covered.

Send feedback to | Tukuna mai ngā whakahokinga kōrero ki
public.consultation@ird.govt.nz.

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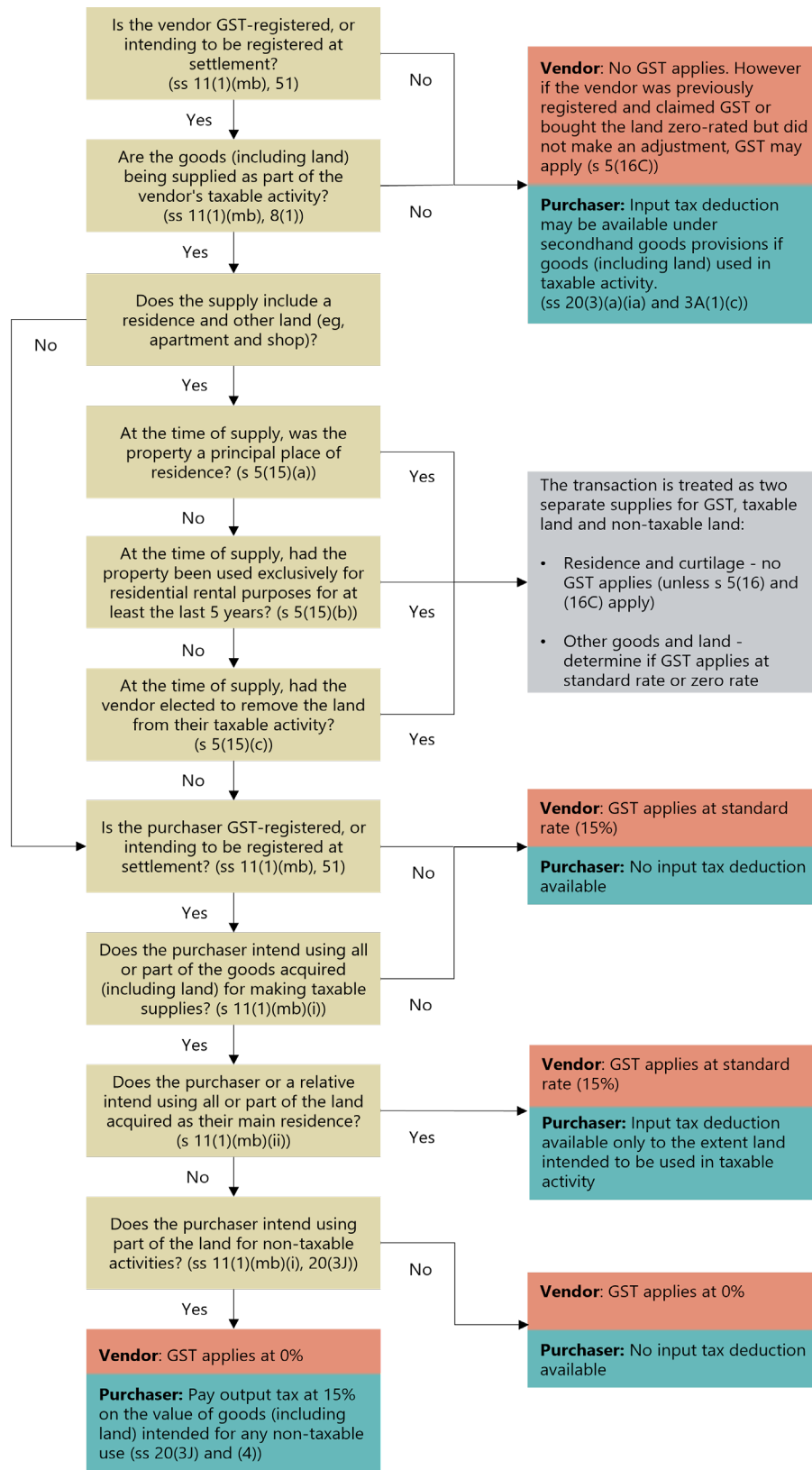
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Appendix 1: Flowchart to determine if the CZR rules apply to a supply of land



About this document | Mō tēnei tuhinga

Interpretation statements are issued by the Tax Counsel Office. They set out the Commissioner's views and guidance on how New Zealand's tax laws apply. They may address specific situations we have been asked to provide guidance on, or they may be about how legislative provisions apply more generally. While they set out the Commissioner's considered views, interpretation statements are not binding on the Commissioner. However, taxpayers can generally rely on them in determining their tax affairs. See further [Status of Commissioner's advice](#) (Commissioner's statement, Inland Revenue, December 2012). It is important to note that a general similarity between a taxpayer's circumstances and an example in an interpretation statement will not necessarily lead to the same tax result. Each case must be considered on its own facts.