

INTERPRETATION STATEMENT**Content creators – tax issues**

Issued: 28 September 2021

IS 21/08

This Interpretation Statement provides guidance to taxpayers and tax agents to help online gamers, streamers, bloggers, influencers, artists, makers and other online content creators to understand and meet their income tax obligations.

All legislative references are to the Income Tax Act 2007, unless otherwise stated.

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Introduction

1. This Interpretation Statement provides guidance to people who make money from creating online content. It covers a variety of activities, including:
 - posting videos, images or text on social media platforms such as YouTube, Instagram and Facebook;
 - blogging;
 - influencing;
 - competing in online gaming competitions; and
 - streaming game play on platforms such as Twitch, Facebook gaming and YouTube gaming.
2. In this Interpretation Statement, people who make money from online content-creation activities are referred to as **content creators**.
3. A content creator may have a wide variety of income sources, including:
 - payments from platforms based on the number of times content is viewed;
 - payments from platforms when viewers subscribe to channels created by the content creator;
 - payments for promoting products or brands in the content creator's online content;
 - payments for advertisements embedded in the online content;
 - commissions earned from affiliate marketing and links;
 - sales of merchandise or other products or services through platforms such as Shopify or Gumroad;
 - donations or gifts; and
 - prize money (eg, from e-sports competitions).
4. Content creators and their tax agents have asked for guidance to help understand and comply with their tax obligations.
5. This Interpretation Statement expands on an earlier Question We've Been Asked, *QB 17/05: Income Tax – whether YouTube receipts are taxable* (Inland Revenue, 2017).
6. The following guidance addresses difficulties that can arise for content creators when attempting to comply with their tax obligations.

7. Two topics may be relevant for younger people and people earning very low amounts, so content creators may wish to consider them first:
 - Income derived by young people who are still at school, which may be exempt from tax (see from [66]).
 - The \$200 threshold for income other than reportable income (see from [72]).
8. The general topics covered in this statement include:
 - important factors in working out whether amounts are income (see from [9]);
 - “gifts” or “donations” can be income (see from [31]);
 - non-monetary items (or contra) can be income (see from [43]);
 - deductions for expenses and depreciation losses (see from [80]);
 - income earned by a New Zealand resident overseas (see from [113]);
 - tax withheld by a payer (see from [121]);
 - GST (see from [126]); and
 - keeping good records (see from [130]).

Guidance

Important factors in working out whether amounts are income

9. In working out whether an amount received by a person is income, key factors to consider are the:¹
 - regularity of receipts;
 - relationship between the recipient and the payer; and
 - reason for the payment of the amount.
10. Clear relationships exist between content creators (recipients) and payers. Generally, content creators receive amounts from people who view the creator’s content, online platforms that facilitate the posting and streaming of content, businesses that want exposure for their products, or competition organisers.

¹ *Reid v CIR* (1985) 7 NZTC 5,176 (CA).

11. Further, the recipient's content-creation activity will generally be the reason for the payment; the payments being made to support or reward the content creator.
12. The relationships between the recipient and the payer and the reasons for the payment are factors that will generally point to the amounts received by content creators being income.
13. However, in many cases, whether an amount received by a content creator is income will depend on the regularity with which a content creator receives such amounts (see from [14]).

Regularity of receipts

14. In many cases, regularity is the main reason why amounts are income. Amounts that are received regularly by a person may become part of the receipts upon which the person depends for their living expenses.
15. In some cases, an amount can be income even if it is not a regular receipt (even a single receipt can be income in some cases). However, generally, if regularity is not present, an amount is less likely to be income. See Example 1.
16. To be regular, an amount does not need to be received every fortnight or every month like a salary or wage. For example, if a content creator receives payments from YouTube or Twitch in some months but not in others (because they do not always reach the payment thresholds), the payments will nevertheless be regarded as regular.
17. Some content creators may derive amounts from multiple sources. These amounts should be considered together when determining whether the amounts are received regularly.

Example 1 – Amounts not received regularly

Jack administers and creates content for a community Facebook page. Jack attends a community event and receives \$50 cash from a member of the page in appreciation of Jack's efforts. Jack does not normally receive payments of this kind, and he does not derive any other type of income for the work he does on the page.

It is relevant to consider the relationship between the payer and the recipient. Jack, the recipient, receives a payment from a member of the Facebook page. The reason for the payment is Jack's work on the page. This relationship and the reason for the

payment points to the cash gift being income in Jack's hands. Essentially, Jack is being rewarded for his efforts by a person who has benefitted from those efforts.

However, Jack does not receive amounts regularly as a result of the work he does on the Facebook page. The cash gift received is not the type of receipt on which Jack can rely to meet his living expenses. Therefore, the cash gift is not income.

Note the fact the amount was a voluntary payment would not prevent the amount from being income (see the discussion from [31]).

Costs of the activity are greater than the revenue

18. There are different tests to identify income. In broad terms, income is generally something on which a person can rely to help pay for their living expenses. If the revenue from a content-creation activity does not normally cover the cost of the activity, this would indicate the activity is not a business and suggests the amount will not be income.
19. This doesn't mean an activity must always make a profit for the revenue to be income. If a person has a business that involves having an intention of making a profit, then amounts derived by the business can be income even if the business sometimes makes a loss or has only made losses to date.
20. The word "hobby" might be used to describe an activity that does not normally make a profit or where the person does not have an intention of making a profit. However, the Act does not use the word "hobby", and whether an amount is income does not depend on the ordinary meaning of the word "hobby". In case law, the courts' focus is on whether an intention to make a profit exists (which is relevant to whether there is income from a business).² See Example 2.

Example 2 – Costs of activity greater than revenue

Emma enjoys posting the occasional photo on Facebook and Instagram.

Her social media accounts include a link where people can make a monetary contribution to support her activity. Emma doesn't expect to receive much, but it was easy to set up, so she thought why not.

Emma receives five one-off payments during the income year totalling \$25. The only other income Emma derives in the income year is employment income.

² *Grieve v CIR* (1984) 6 NZTC 61,682 (CA).

It is likely Emma has expenses associated with taking her photos (for example, travel costs and depreciation loss on her camera) that are greater than the income she derives. Therefore, Emma is not likely to be making, or be intending to make, a profit that could help her to meet her living expenses, so the \$25 is unlikely to be income for Emma.

Even if the \$25 were income, because Emma receives less than \$200 of “income other than reportable income”, she would not need to include the \$25 in her tax return (see the discussion from [72]).

Reinvesting profits into an income-earning activity

21. A person’s profit (or net income as it is called in the Act) is calculated as a person’s total assessable income for the year less total allowable deductions. Allowable deductions are discussed further from [79], but capital expenditure (that is, money spent on an asset) is not an allowable deduction. This means the calculation of a person’s profit or net income does not include any deduction for assets they purchase during the year. Therefore, a person could have a profit even if they reinvest in their income-earning activity by purchasing new assets. See Example 3.

Example 3 – Profit reinvested into the business

Kenya is working hard to build up her online content-creation business. She and her helpers create short comedy skits based on role-playing games they play, which they post on YouTube.

During the income year, Kenya purchased a van, so she could transport equipment and her helpers to filming locations.

Kenya cannot claim a deduction for the full cost of the van in the income year because it is capital expenditure. However, Kenya could claim a deduction for depreciation loss on the van in the current income year and, if her business continues, she can continue to claim depreciation on the van in future income years. (Note that an adjustment might be needed for any private use of the van.)

During the income year, the business made a profit for the first time of \$1,500 (including the deduction for depreciation on the van).

Kenya doesn’t consider she has made a profit because all the income she derived was reinvested back into her business (that is, through the purchase of the van). However, the \$1,500 is profit. The full cost of the van is not included in the calculation of profit.

Side activity

22. An amount derived by a person from a secondary or side activity (sometimes called "side hustles") can be taxable even if they have a job or other business from which they derive most of their income (assuming the amount has the characteristics of income and is not exempt, as discussed above). See Example 4.

Example 4 – Side activities

Liam is employed full time as a high school music teacher. He also has a couple of side activities:

- Liam fills in for a local band a few times a year when they need a guitarist.
- Liam creates content for a YouTube music channel in which he interviews musicians over drinks.

The YouTube channel has been doing well, and Liam has recently become a YouTube partner. Liam has a collection of 20 10-minute videos in his channel that he has created over the last two years. He intends to add to this content by adding a new video every couple of months. Liam receives a YouTube payment of approximately \$130 every 3 to 4 months. His total income from the channel for the income year just ended is \$480.

Although Liam has only earned income of \$480, the amounts are received on a regular basis. The payments are also a product of the effort that Liam puts into creating his videos. Therefore, the payments are income under ordinary concepts. It does not matter that Liam also has a full-time job and that this is a secondary form of income or side-activity.

Liam also calculates that he is allowed deductions for expenditure totalling \$300, including entertainment expenditure (at the rate of 50%), which was sometimes needed to get his interviewees talking, and depreciation losses on a laptop and camera.

Liam must include the \$480 of income received from his YouTube channel and the \$600 he derived from his gigs with the band during the year, in his income tax return. Liam can claim the deductible expenditure at the same time.

Passive receipts

23. Passive receipts may arise in the context of content creation because some content can continue to generate income after it is posted with little or no additional activity from the content creator. For example, once posted, imbedded product affiliate links in blogs, or content on platforms such as Skillshare or Patreon may continue to generate

income. The derivation of passive income from content creation may be less common than it once was. For example, the YouTube Partner Program now states that YouTube may disable monetisation on channels that haven't uploaded a video or posted to the community tab for six months or more:³

Stay active to keep making money

As the YouTube Partner Program continues to grow, it's important to maintain a healthy, active ecosystem of channels. In order to focus our support for creators who are active and engaged with the community, we may disable monetization on channels that haven't uploaded a video or posted to the Community tab for 6 months or more.

24. However, situations may exist where YouTube or other online platforms decide not to disable monetisation.
25. Even for someone who is no longer creating content, these passive receipts are likely to be income (under ordinary concepts) if they are received regularly. Passive receipts from historical content is also analogous to interest, dividends, royalties, rents and other returns from property.
26. Note that if a person stops making new content, this will likely prevent them from continuing to claim deductions (for example, for home office expenses or depreciation losses). A person may have a deduction for an expense or a loss only if the expense or loss is incurred in deriving income. If a person has stopped creating new content, their expenses and losses will not be incurred in deriving income, even if they continue to derive passive income from past efforts. See Example 5, and see from [79] about deductions for expenses and depreciation losses.

Example 5 – Passive income

Aart has a YouTube channel with a large collection of home renovation and building tutorials. Aart used to have more time to create content, but he is currently busy with building work, so has stopped creating content.

Aart's videos have an enduring appeal and they continue to generate income. Because of the nature of the content, and despite not posting any fresh content, YouTube allows Aart to continue being a YouTube partner and monetise the content.

Income

Although his income drops, Aart continues to derive regular payments from YouTube for his historical content, and these payments continue to be income for Aart.

³ [*YouTube Partner Program Overview & Eligibility*](#) (webpage, YouTube, updated November 2020).

Deductions

Aart is no longer trying to create new videos, and he does not need to do anything to continue deriving passive income from his existing videos.

Aart has computer equipment and camera gear, which he was using to make his videos. This equipment was not fully deducted before Aart ceased his activity. He was also claiming deductions for home office and internet expenses.

Aart is no longer incurring depreciation losses or home office or internet expenses to derive income. He does not need to do anything to continue deriving income. Therefore, Aart cannot continue to claim deductions.

Sources of income

27. It will be common for online content creators to have multiple sources of income (see [3]). Receipts that individually might not be regarded as income might be so regarded when the activity is considered as a whole.⁴ Therefore, content creators need to consider their activity as a whole. See Example 20 (after [99]).

People's circumstances can affect whether an amount is income

28. An amount that is income when received by one person may not be income if received by someone else. Whether or not an amount received by a person is income depends on the character of the amount in that person's hands.
29. For example, prize winnings from an e-sports competition may be income for a person who is able to make a living from competing in such competitions and associated activities. However, for an amateur player, prize winnings might not be income. This could be because they do not receive amounts from their gaming on a regular basis.
30. Therefore, a content creator needs to consider their own circumstances in working out whether amounts they receive are income. See Example 6.

Example 6 – Content creators need to consider their own circumstances

Joshua, a professional online gamer and streamer, decides to enter an open competition. He notices a statement on the competition information page that the prize money is not taxable. This does not seem right to Joshua.

⁴ *FCT v Stone* [2005] HCA 1, (2005) 222 CLR 289.

Whether an amount is taxable depends on the character of the amount in the hands of the recipient. This could be different for different people.

For some more amateur competitors, the prize money might not be taxable, but because Joshua has a business of competing and streaming his gameplay, the prize money he wins will be taxable.

“Gifts” or “donations” can be income

31. It is common for content creators to receive payments from people through online payment or donation platforms. These payments might be described as “gifts” or “donations” but the label given to a payment does not determine its character nor whether it is income to the content creator.
32. Payments of these kinds may be income if they are a product of the content creator’s income earning activity.⁵
33. In most cases, a payment a viewer makes to a content creator will be a product of the content creator’s activity. These payments will normally arise because the content creator has included a link to a payment platform in the description of their post and the payer has viewed the content and used the link to make a payment.
34. A viewer may state (for example, they may post a comment around the same time as the payment) that they are making the payment because of their respect and admiration for the content creator. They may also state that the payment is not a reward for the content. These statements, even though they may be genuine, are unlikely to affect whether the payment is income of the content creator.
35. In most cases, a content creator and a payer will have no relationship other than that of content creator and viewer. In these situations, the facts strongly suggest that the payments from the viewers are products of the content-creation activity. This conclusion will be even stronger if the payment entitles the payer to access additional content or other benefits.
36. Even if a content creator and a payer are friends, if the payer is consuming the content created by the content creator, a payment to the content creator is likely to be a product of the income-earning activity, so income.
37. In some cases, a content creator may be able to establish that a payment received is not a product of their content-creation activity. For example, they might receive a payment from a friend or family member who has no interest in the online content and

⁵ *Hayes v FCT* (1956) 11 ATD 68 (HCA), *Louison v Commissioner of Taxes* [1943] NZLR 1 (CA).

simply wants to support the content creator. However, the burden of proving this is on the content creator. See Example 7.

Example 7 – Donation income

Bella is an online woodworker who carries on an online content-creation business posting videos of her woodworking projects.

Bella includes a link to her Patreon account in the description of her videos and on her website. People who make payments of over \$10 a month are entitled to early access to Bella's latest videos. During the income year she receives \$3,600 from people who paid over \$10 a week and \$1,040 from smaller payments.

Bella's grandmother wants to support Bella and makes a one-off payment of \$200 directly to Bella. Bella's grandmother does not have an interest in woodworking, but she watched some of the videos as she was interested in what her granddaughter was up to.

Bella is unsure whether all the payments she receives through her Patreon account and from her grandmother are income.

All the payments, except the payment from Bella's grandmother, are income. The payment from Bella's grandmother is not income because it was made due to a private family relationship and not as a product of Bella's business.

The other payments are received because of her online woodworking video business. This is supported by the link included in her videos to her Patreon account. Also, the payments are made by people whose only connection to Bella is that they have watched her videos. The fact that some viewers received something in exchange for their payment makes for a stronger conclusion that those payments are income, but the payments under \$10 a month are also income as they are also a product of her business.

Donation tax credits

38. Payments made to a content creator are unlikely to qualify for a donations tax credit for the payer.
39. A content creator may be engaged in an activity that is charitable in nature, but this does not mean a payment to the content creator will qualify for a donations tax credit for the payer.
40. For a person to be entitled to a donations tax credit, the payment the person makes must be made to an approved donee organisation. See Example 8.

41. If a content creator passes a donation on to an approved donee organisation, then the content creator could be entitled to a donations tax credit.
42. For more information on when a donation tax credit can be claimed, see:
 - [*Ngā Whiwhinga Tāke mō ngā Takoha: Tax Credits for Donations*](#) (webpage, Inland Revenue); and
 - s LD 3.

Example 8 – Eligibility for a donations tax credit

Aruf watches a YouTube channel created by Naeem. Naeem’s videos feature interviews with community leaders from different cultural, ethnic and religious groups. Naeem tries to educate his viewers in the hope of creating a more tolerant and inclusive society.

Aruf loves what Naeem is doing and wants to financially support Naeem’s work.

Naeem has included a link in his videos to a Patreon account so people can support him. Naeem has also included a link to the website of a community association that is an approved donee organisation listed by Inland Revenue.

Aruf pays \$50 to Naeem’s Patreon account and \$50 to the community association.

Naeem also donates the \$50 he received from Aruf to the community association.

Aruf is eligible for a donation tax credit for the payment he makes directly to the community association, which is an approved donee organisation. However, Aruf is not eligible for a donation tax credit for the payment he makes to Naeem’s Patreon account. To be eligible for a donations tax credit, a donation must be made to an approved donee organisation.

Naeem is also eligible for a donation tax credit for the \$50 he donates to the community organisation.

Non-monetary receipts (or contra) can be income

43. Non-monetary receipts given to content creators are sometimes referred to as “contra”. Non-monetary receipts received by a content creator can be income. This applies where non-monetary items are supplied in addition to or instead of monetary payment. For example, if a content creator is paid and sent products by a cosmetics company, then both the money and the products could be income for the content creator.

44. Not every non-monetary item will be taxable. The first thing to consider is whether the non-monetary item is income (that is, the factors discussed from [9]). The following discussion assumes the item is received as a result of an income-earning activity the content creator carries on. In some cases, a content creator may be able to establish that a non-monetary item is not received as a result of their content-creation activity. If this is the case, then that receipt will not be income.
45. The following discussion also assumes the content creator accepts the item. A person can refuse to accept a payment or item. The content creator can refuse the receipt of a non-monetary item by sending the item back to the payer or refusing to take possession.

Convertibility – whether the receipt (contra) can be sold

46. To be income, a non-monetary receipt must also be able to be converted into money. Whether a receipt can be turned into money will be determined by the nature of the thing received and the rights and obligations between the provider of the thing and the content creator. Note that a non-monetary receipt could be converted into money in different ways. In this context, the most common method of conversion to money would be by selling. The general rule is that if a thing received as a product of a content creator's income-earning activity can be sold, the content creator will have income.⁶
47. Whether a product is convertible depends on the circumstances. For example, where a content creator who promotes cosmetics is provided with a lipstick to use in a promotional video, then the lipstick is unlikely to be sold once it has been opened and used. However, products such as clothes and shoes will usually be able to be sold.
48. Where a content creator is provided with services or experiences that are personal to them, these are less likely to be income because they cannot be sold or converted into money. Where vouchers for services or experiences can be sold, then they will be income when received.

Taxation event is the receipt of the item

49. The event that results in income is the receipt of the item. Because income arises at the time of receipt, the person will have an initial amount of income regardless of the subsequent use of the item. For instance, accepting a non-monetary item and then donating it to charity does not stop the item being income and taxable. The same principle applies if a person is paid in cash and donates an amount to charity. The

⁶ *Tennant v Smith* (1892) 3 TC 158 (HL).

person is still taxed on the initial receipt. If content creators do not want to be taxed on receipt of a non-monetary item, they should not accept the item.

50. Although the initial receipt is taxable, the subsequent use (for example, a sale or use in the content-creation activity) may also have tax consequences.

Subsequent use – selling items and other non-monetary items

51. As noted above, the first event that gives rise to income is the receipt of the item. Income arises on receipt even if the person does not sell the item. If the person does sell the item, this is a separate taxation event.
52. If the item is sold, the amount received can also be income. That is, income can arise twice: once on receipt of the item and again on the sale of the item.
53. However, if the amount received on sale is income, the person will be allowed a deduction for the “cost” of the item.⁷ Although the person did not spend any money to acquire the item, a cost will be given to the item. This cost will be equal to the income derived on receipt. This means the person will not be taxed twice (although if they sell the item for more than its value on receipt, they could be taxed on the difference). See Examples 9–13.
54. A deduction may also be possible where the non-monetary item is used in the content-creation activity.

Subsequent use – non-monetary items used in the content-creation activity

55. Paragraph [79] onwards explains when a content creator may be able to claim a deduction for expenditure and depreciation losses. Similar principles apply in this context because “expenditure” can include something in money’s worth provided it passes from the person and has the effect of diminishing their assets. Whether deductions are allowed depends on the tests discussed further below, but crucially a relationship must exist between the expenditure and the business or income-earning activity.⁸
56. Where a content creator’s ability to generate income depends on their number of followers and their reach on social media, then rewards provided to followers (for

⁷ This is considered consistent with comments in *Tasman Forestry Ltd v CIR* (1999) 19 NZTC 15,147 (CA), *Sharkey v Wernher* [1956] AC 58 (HL); *Halliwell v CIR* (1991) 13 NZTC 8,197; and *Rangatira Ltd v CIR* (1996) 17 NZTC 12,727.

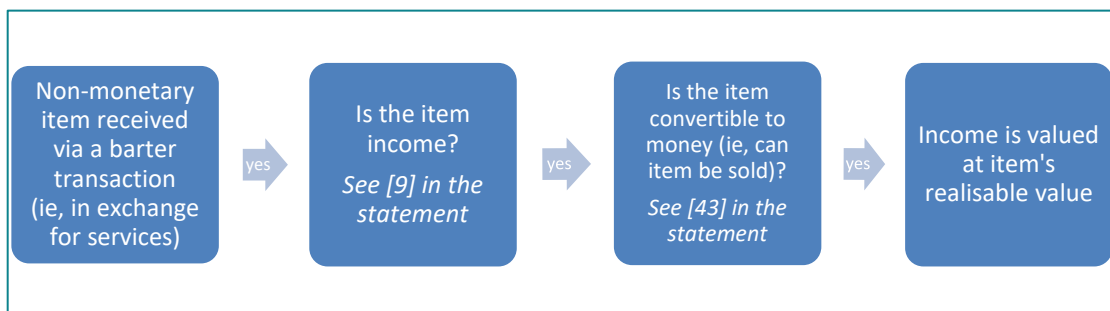
⁸ Section DA 1 is the general permission which allows a deduction – this is subject to limitations which prevent a deduction in certain circumstances such as where the expenditure is private or capital in nature.

example, for likes, comments and shares of a social media posts) may have a sufficient relationship with earning income. See Example 14. On the other hand, where a non-monetary item is given to family, friends or a charity it will not be deductible as it will not have a link with earning income.

Valuation of non-monetary items – contra or barter transactions

57. Contra or barter transactions involve the exchange of goods or services rather than cash. For instance, an influencer may receive clothes in exchange for their promise to promote the clothes or the brand in a series of social media posts.
58. The amount of income the content creator derives on the receipt of an item is equal to the realisable sale value of the item at the time they receive it (see Flowchart 1). This will usually be the amount the content creator would receive if they sold the item (but, as noted above, the content creator will have income even if they do not sell the item). The resale value might be lower than the recommended retail value or the amount the content creator would have needed to pay if they bought the item.
59. The content creator will have income even if the resale value is low. However, in some cases, the items might not have any resale value. For example, a market may not exist for some second-hand personal items.
60. A content creator will need to estimate the resale value of an item they receive. Precision is not required; a reasonable estimate is acceptable. Different approaches to estimating resale value could be taken. For example, the content creator could:
 - check the resale value of the product on an online marketplace;
 - obtain an estimate from a second-hand store;
 - use, if information is not available for an identical item, the resale value of a comparable item; or
 - calculate, if the content creator receives a large quantity of low-value items, an average value based on a representative sample period.

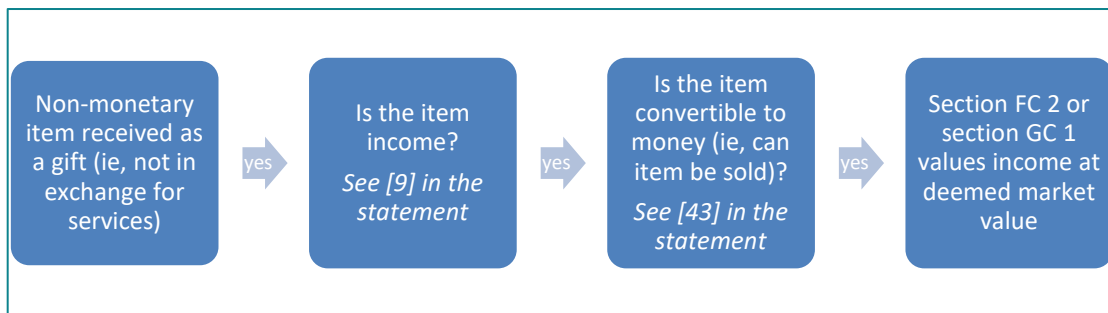
Flowchart 1: Process for determining whether a non-monetary item received in exchange for services is income



Valuation of non-monetary items – “gifts”

61. Sometimes content creators will receive non-monetary items free from any reciprocal obligations, in other words, a gift with no strings attached. Even though there is no reciprocity such gifts can be income if they are a product of the content-creating activity (discussed from [43]) and convertible into money.
62. Whether a gift is taxable on receipt will depend on the specific circumstances, but occasional unsolicited gifts are unlikely to be taxable. Whereas gifts that are received regularly, are a product of an income-earning activity and can be resold are likely to be taxable.
63. Special rules deem transactions involving gifts to happen at market value.⁹ In other words, the value of the item for income tax purposes is deemed to be what it is usually sold for in the ordinary course of business.

Flowchart 2: Process for determining whether a non-monetary gift is income



Cryptoassets

64. Cryptoassets (including cryptocurrencies) are forms of property that can be converted into money. If a person receives cryptoassets as a product of their income-earning activity, they will have income equal to the value of the cryptoassets. There may also be tax consequences when the cryptoassets are subsequently disposed of.
65. For more information about the taxation of cryptoassets, see [Cryptoassets](#) (Inland Revenue webpage). There is also guidance addressing specific cryptoasset scenarios in:
 - [QB 21/06: Income tax – tax treatment of cryptoassets received from an airdrop](#) (Inland Revenue, 2021); and
 - [QB 21/07: Income tax - tax treatment of cryptoassets received from a hard fork](#) (Inland Revenue, 2021).

⁹ Sections FC 1 and FC 2 of the Income Tax Act 2007 deem certain transactions involving gifts to occur at market value and s GC 1 applies where companies give away trading stock.

Example 9 – If the item can be sold

Tom creates digital content showing home renovation ideas, DIY projects and tool demonstrations.

A power tool company agrees to provide Tom with a drill and a circular saw in exchange for him demonstrating these products in a video. Tom decides to keep them after using them in the video. Based on similar products (second-hand and barely used) for sale on an online marketplace, Tom could sell the drill for \$175 and the circular saw for \$300. The online marketplace would charge Tom listing and success fees of \$5 each.

The receipt of the power tools is income because it is from a contra or barter transaction and is a product of Tom's content-creation activity. This type of receipt is not uncommon for content creators. It is income because it is something Tom could sell for money, even though he has chosen not to. Tom has income equal to the amount he could receive if he sold the power tools.

An amount of \$465, being the \$475 for which Tom could sell the power tools less fees of \$10, would be a reasonable estimate of the income Tom has derived from the receipt of the power tools.

Example 10 – Selling an item that was income when received

Tom, from Example 9, often sells the tools and products he receives from businesses in the building trade through an online marketplace. He changes his mind and rather than keep the power tools he sells them online for a combined price of \$450. Tom pays a marketplace fee to sell the items of \$10.

Tom has income of \$450. However, Tom can also claim a deduction for \$465 (this is a cost given to the power tools to prevent double taxation). This effectively cancels out the income derived on receipt and means Tom is ultimately taxed as if he derived income of only \$450 less the \$10 fee (ie, \$440).

Example 11 – Non-monetary items that must be used or consumed by the recipient

Joshua, a professional gamer and streamer, receives branded items as part of his latest sponsorship deal. The sponsorship deal requires that he promotes an energy drink brand while competing and streaming. Joshua is given a drinks fridge stocked with 24 energy drinks. He is required to feature the fridge in a studio tour video and drink the energy drinks when streaming.

The receipt of the drinks fridge is income. Joshua can convert the fridge into money after the studio tour video is completed. The income will be equal to the value of a lightly used drinks fridge. Joshua can estimate this value by comparing the fridge with similar items on an online marketplace. (If he decides to sell the fridge then the treatment will be the same as for Example 10.)

Joshua is required to be seen consuming the drinks whilst gaming and streaming, so these drinks cannot be sold and are not income.

Example 12 – Experience not convertible into money

Ashley, a fashion commentator and online content creator, is invited to attend a show (her name is put on a list on the door). Tickets for the show are available to be purchased by members of the public.

Although a value could be given to the invite, Ashley cannot sell the invite because it is her name on the door. This means the invite is not income.

Example 13 – Voucher can be converted into money

Chris, a travel writer, is reviewing a new vineyard restaurant in Havelock North for their travel channel. The restaurant owner gives Chris a voucher for a local spa treatment business. The voucher entitles the holder to receive treatments up to the value of \$150. Chris uses the voucher while in Havelock North.

Chris was not under any obligation to redeem the voucher and could have sold the voucher. This means the voucher was convertible into money, so was income to Chris when it was received. Chris finds out that they could have made \$130 after fees by selling the voucher on an online marketplace. This is an acceptable estimate of the realisable value of the voucher and the income derived by Chris.

Example 14 – unsolicited gifts used in the content-creation activity

Helen is an online content creator who promotes beauty and fashion products. She has clients who pay her for promoting their brand or products. She usually does not accept unsolicited gifts because she does not want to promote businesses that do not pay her and she is aware she might have to pay tax on gifts capable of being resold.

From time to time, Helen accepts unsolicited gifts and provides them to her followers for engaging with her social media posts. For instance, she receives an unsolicited gift of handmade jewellery from a business seeking publicity. Helen likes the jewellery and thinks she will be able to use it in her business so accepts the gift. She has income equal to the market value of the jewellery, which usually sells for \$100.

Helen uses the jewellery as part of a “giveaway” on social media and sends the jewellery to a follower as a reward for re-posting one of Helen’s videos. A relationship exists with earning income, because Helen’s ability to generate income depends on her number of followers, how engaged those followers are and Helen’s social media presence. Helen can claim a deduction for the jewellery. The value of the deduction is the market value of \$100.

If both transactions occur in the same tax year, they cancel each other out as there is income of \$100 and a deduction of \$100. If they happen in different tax years, the same result occurs but happens over that period (that is, income is returned in one year, and a deduction is taken in a later year when the jewellery is “given” away).

Income derived by young people who are still at school may be exempt from tax

66. Some young people who are still at school may not need to pay tax on income derived from their content-creation activities. This is because s CW 55BB provides a limited exemption for certain types of income derived by young people.
67. For the exemption to apply for a tax year, the person must attend school during the tax year. The exemption generally applies to people who are aged under 18 years as well as 18-year-olds provided they did not turn 18 before 1 January in the previous tax year. Further, 18-year-olds must have attended school in the current and previous tax years.
68. The exemption applies for a tax year, which suggests it will apply for a person for the entire tax year if they attend school during the tax year and meet the age requirements.

69. The exemption applies only to certain types of income. The exemption does not apply to, for example, income from employment, interest or dividends (that is, typically income from which the payer deducts tax).
70. Further, the exemption will not apply if in the income year the young person derives income (of the type that would qualify for the exemption) of \$2,340 or more. Note that if this threshold of \$2,340 is reached, none of the income will be exempt under this provision. In other words, the exemption will not apply to the first \$2,340 earned if the threshold is reached. See Example 15.
71. For more detailed information on the exemption, see:
- [*Tamaiti, Rangatahi Rānei: Child or Young Person*](#) (webpage, Inland Revenue);
 - [*Individual Income Tax Return Guide*](#) (IR3G, Inland Revenue, 2020); and
 - s CW 55BB.

Example 15 – Young person’s income exemption

Olivia and Hannah are both still at school during the 2022 calendar year. Olivia is 16 years old and Hannah is 18 years old (she turned 18 in February). Olivia and Hannah both post videos to TikTok. Olivia posts videos about football training tips and tricks. Hannah posts videos of herself singing and dancing. Both are very popular and make money from their posts. Olivia stops posting to TikTok halfway through the year to concentrate on football. Hannah posts all year.

In the 2023 tax year (which begins on 1 April 2022 and ends on 31 March 2023), Olivia received a sponsorship payment relating to her TikTok posts totalling \$500. Hannah received donations from fans during the tax year totalling \$2,450.

Other than income from employment and interest on their savings, which Inland Revenue already knows about, the \$500 received by Olivia and the \$2,450 received by Hannah are the only income that Olivia and Hannah receive during the tax year.

The young person’s income exemption applies to the \$500 derived by Olivia. However, the exemption does not apply to any of the \$2,450 derived by Hannah, because the income she derived during the tax year exceeded the threshold of \$2,340. Hannah should include the \$2,450 in her tax return.

Threshold of \$200 for income other than reportable income

72. Generally, at the end of the tax year, a content creator needs to inform Inland Revenue of any income they earn from their content-creation activities.
73. The types of income that online content creators earn are different from, for example, employment income. Inland Revenue will generally already know about any employment income a person has because their employer has an obligation to report this income to Inland Revenue and withhold PAYE.
74. Often (but not always – see [121] about tax withheld by payer), income that content creators make will be income other than “reportable income”, which is defined in s 22D(3) of the Tax Administration Act 1994. “Reportable income” includes things such as employment income and interest.
75. If a person has, in total, \$200 or less of income other than reportable income in an income year, then they do not need to inform Inland Revenue of this income.¹⁰ This means it won’t be taxed.

¹⁰ Section 22K of the Tax Administration Act 1994.

76. This \$200 income threshold applies to anyone; it is not limited to young people. See Example 16.
77. Note that this is an income threshold, not a profit (that is, income less expenses) threshold.
78. For more information, see:
 - ["Simplifying tax administration: Individuals income tax"](#), *Tax Information Bulletin* Vol 31, No 4 (May 2019): 7; and
 - ss 22D(3) and 22K of the Tax Administration Act 1994.

Example 16 – \$200 threshold

Manaaki is a keen gardener, and in his spare time he posts gardening videos on YouTube. Manaaki also has a part-time job working for a garden centre.

During the tax year, Manaaki earns \$172 from views and subscriptions to his YouTube channel and \$8,000 from his part-time job.

Manaaki does not need to inform Inland Revenue of the \$172 that he earned from YouTube because the \$200 income other than reporting income threshold applies.

Deductions for expenses and depreciation losses

79. If a content creator has an income-earning activity, they may be able to claim deductions for expenses and depreciation losses. These deductions will reduce their taxable income. Whether deductions are allowed depends on the tests discussed further below. However, before discussing these tests, some of the expenses that content creators might have are listed to give content creators an idea of what might be deductible.

Types of expense

80. The following are expenses that some content creators might have. Whether these expenses are deductible depends on the tests discussed further below:
 - home office expenses;
 - phone and internet expenses;
 - depreciation losses on equipment and other assets;
 - vehicle or travel expenses, if the content creation involves travel; however, home to work travel (for example, if the creator has a studio or workspace that is not at home) is not deductible;

- professional fees (for example, accounting or tax agent fees related to the content-creation activity) and fees for creative services (for example, fees for editing, design or promotional work);
- subscriptions for online content or apps that content creators use for their activity;
- the cost of buying games and expansion packs (that is, for professional gamers or content creators who feature the games in their content);
- music licensing fees;
- in-game micro-transactions for professional gamers or content creators, if these transactions are necessary to be competitive in deriving income from gaming or streaming; and
- the costs of materials (for example, materials used in instructional videos).

Relationship with income-earning activity

81. As noted above, if a content creator has an income-earning activity, they may be able to claim deductions for expenses and depreciation losses.
82. To be deductible, expenses or losses must be incurred in deriving income. This means a relationship must exist between the expense and the business or income-earning activity.¹¹
83. In the case of a business, expenses can be deductible even if the business is not making a profit. However, there must be an intention of making a profit.

Content creator must incur the expenditure

84. A content creator can claim a deduction for an expense only if they are the person who has incurred the expense. For example, a content creator living at home with their parents cannot claim a deduction for internet costs if their parents pay the internet bill.

Business must have started and be continuing

85. A person cannot claim deductions for expenses if a business or income-earning activity has not yet started.
86. Generally, an income earning activity starts when the activity can generate amounts that are income of the person. In some cases, there may be certain activities that need

¹¹ Section DA 1.

to occur before any amounts can be derived, eg a person may need to establish a certain number of viewers or subscriptions before they can make money from their content. In some cases, an income earning activity will not have started because the amounts received are not yet received regularly enough to constitute income.

87. Similarly, a person cannot claim deductions for expenses if a business or income-earning activity has stopped, even if the person continues to derive passive income from their old content. See also from [23] about passive receipts.

Example 17 – Income-earning activity has not started

Li wants to be a professional online gamer and streamer like his friend Joshua.

Li is an excellent gamer, but he does not derive amounts regularly from his gaming and streaming activities. There are a few things he will need to do (for example, climbing the in-game ladder, competing in open tournaments and building his viewership) before he can start deriving regular amounts from competing or streaming. However, Li is committed to giving it a go.

Li purchases equipment he thinks he will need to be competitive and wants to know whether he can have a deduction.

Li cannot have a deduction. Although it is not necessary for an activity to make a profit for expenditure to be deductible, the income-earning activity must have started. Li might have an intention to make a profit one day like Joshua, but his income-earning activity has not started. Li is not yet making income because he is not deriving regular amounts from competing or streaming nor is he in a position to do so. He has a number of things to do before this will be possible.

Expenses that are not deductible

88. Some expenses will not be deductible because they are private or domestic in nature (for example, most clothing expenses.)
89. Private and domestic expenses are essentially living costs and costs associated with the home or family.
90. Some expenses may be related to an income earning activity but also have a private component (eg, household costs where a person has a home office). In these cases, an apportionment is required to calculate the allowable deduction.

91. Expenses on capital assets (for example, a car) are also not deductible.¹² However, a person may be allowed deductions for depreciation losses on some capital assets, if the assets are used in the person's business or income-earning activity.

Related activities

92. An online content creator may be making content that is related to something else they are doing.
93. In these cases, care should be taken to separately identify the expenses incurred when creating content and expenses associated with the other activity. For example, the expenses on the other activity may be of a private and domestic nature, so not deductible. See Examples 18 and 19.

Example 18 – Expenditure on related activity not deductible

David and Karen are semi-retired and decide to convert their quarter-acre section into a food forest so they can grow most of their own food. They document the process in videos posted online with the intention of making some money to help cover the cost of the food forest conversion.

David and Karen spend a large amount of money on plants and mulch. They also buy a small tripod for \$100 to help film their videos. David and Karen would like to claim deductions for expenses incurred in the food forest conversion. They argue that the expenses are incurred in deriving income from the videos.

David and Karen's videos are popular and they derive \$2,000 from the videos. They determine that the amounts received are income from a profit-making scheme or undertaking (often a short-term activity which is carried out with a dominant purpose of making a profit, see s CB 3).

David and Karen may be able to claim a deduction for expenses related to the filming, for example, the \$100 cost of the tripod (a low-value asset that can be deducted in full in the year of purchase – see [100] about depreciation losses below). However, the cost of the plants and mulch is not deductible as this expense is of a private or domestic nature. The expenditure on the food forest conversion is largely for David and Karen's private benefit (that is, to provide them with food) rather than being incurred in deriving money from posting videos of the process.

¹² Section DA 2.

Example 19 – Profit-making scheme and expenses while travelling

Aesha is a photographer. One of the ways that Aesha earns a living is by posting photos on Instagram. She regularly receives payments from viewers through a donation website and from selling high resolution copies of her photos.

Aesha sets out on a three-month overseas holiday. She plans to do some sightseeing and have a relaxing break. However, while travelling, she takes some great photos and continues to post to Instagram and offer photos for sale.

Aesha has continued her content creation income earning activity while on her three-month holiday. The amounts she derives from the donation website and her photo sales are income.

Aesha has kept receipts and good records of her revenue and expenses, so she is able to claim deductions for expenses incurred in deriving her income.

Generally, Aesha cannot claim deductions for her personal holiday expenses as these are private and domestic in nature. However, once a week, Aesha needs to spend a day in her hotel room editing photos and doing administration connected with her Instagram account and photo sales. It would be reasonable for Aesha to claim a deduction for part of her accommodation costs on the one day a week that she needs to do her editing and administration work. Aesha considers her situation carefully and estimates an appropriate proportion and keeps a record of how she arrived at this estimate.

Specific types of expense

94. Four specific types of expense that may be of interest to content creators are discussed further below:
- home office expenses (see from [95]);
 - internet expenses (see [99]);
 - depreciation losses (see from [100]); and
 - clothing expenses (see from [110]).

Home office expenses

95. If a content creator has a business or income-earning activity that they carry on in an area of their home, they may be able to claim a deduction for home office expenses.

96. The allowable deduction will be based on the proportion of household costs that relate to the area used. Apportionment is needed because costs related to the home also have a private or domestic nature.
97. A person does not need to own their own home to claim home office expenses. A person could be renting or flatting. However, a person will not have home office expenses if they are living rent free and do not have to pay for a share of expenses such as for electricity, gas or water. See Example 20 (after [99]).
98. For more information on claiming home office expenditure see:
 - *Te Whakamahi i tō Kāinga mō tō Pakihi: Using Your Home for Your Business* (webpage, Inland Revenue);
 - *Operational Statement OS 19/03: Square metre rate for the dual use of premises* (Inland Revenue, 2019); and
 - s DB 18AA.

Internet expenses

99. Content creators are likely to use their home internet plans for both their content-creation activity and for their private or domestic use. Therefore, content creators may be allowed a deduction for a portion of their internet bill. Content creators need to estimate the portion based on their own situation. The estimate must give a fair and reasonable result. See Example 20.

Example 20 – Income and expenses of a professional gamer

Joshua is a professional gamer and streamer. He spends 10 hours a day practising game skills, playing and streaming his games, chatting to viewers, planning travel and other gaming activities, and doing general administrative tasks such as budgeting and recording income and expenses.

Joshua has made his way up the in-game ladder, has been successful in open tournaments and now plays in major overseas tournaments with prize pools of over \$1 million. He travels to Asia to compete in person at large tournaments and incurs expenditure on travel and accommodation.

In the income year just ended, Joshua won \$10,000 in prize money. However, Joshua received prize money of \$15,000, \$30,000 and \$50,000 from three competitions in the previous income year. He is also doing well in regular game play and could win more prize money in future competitions.

Joshua receives payments of \$350 a month on average from Twitch for his streaming. He also spends time chatting with his viewers and analysing his viewership. He then makes changes to his settings and streaming habits to improve his viewership.

Joshua also provides exclusive content and one-on-one coaching to premium members of his Patreon account. He receives \$100 a month on average from Patreon payments.

While practising and competing in the game, Joshua earns various in-game items. The game allows the trading of these items for real world currency (at the player's own risk). During the income year, Joshua lists some of the more valuable items and earns \$200. Joshua wouldn't set out to earn money this way as he values his time too much. However, since he has earned the items through his practice and competitive game time, he takes the opportunity to make some money.

Joshua pays a talent agent a commission to find and manage sponsorship deals. He receives \$3,000 a year in sponsorship payments from a drinks manufacturer for featuring its energy drinks and wearing branded clothing while competing and streaming. He pays \$450 of this to his talent agent.

Joshua is flatting and uses a portion of his room for his gaming and streaming activities (for 10 hours a day).

Although a standard fibre internet connection is sufficient for most internet gaming, he pays extra for a faster internet connection to ensure he does not have any lag when competing.

Income

All the amounts Joshua receives are income derived from a business. The prize money may be sporadic, but the facts show he has an intention of making a profit from his online activity. He also takes a business-like approach, committing significant time (10 hours a day) and money (on overseas travel, premium internet and a talent agent) on his activity.

Joshua's total income from his business is \$18,600 (prize money of \$10,000, Twitch payments of \$4,200, \$1,200 through Patreon, \$3,000 of sponsorship, and \$200 from the sale of in-game items).

Expenses

Joshua can claim deductions for expenditure that he incurs in carrying on his business. His deductible expenses for the tax year include the following:

- "Home office" expenses of \$1,254.50. The calculation of which is discussed further below.

- Travel expenses (business proportion only) incurred while competing in major tournaments overseas. These included \$2,200 on flights and \$2,700 on accommodation.
- Gaming and streaming-related expenses of \$350, including game purchases, extension packs, in-game purchases, subscriptions to apps used for streaming and analytics.
- Depreciation loss of \$631.99. Joshua purchased a new game console during the income year. Because the cost of the console was under the low-value asset threshold (\$1,000 from 17 March 2021), Joshua was able to claim the entire purchase price as a depreciation loss in the year of purchase (rather than claiming deductions over multiple years).
- Talent agency commission fees of \$450.
- Internet expenses of \$528. The calculation of this is discussed further below.

Joshua's expenses total \$8,114.49. This means Joshua made a profit of \$10,285.51 from the gaming and streaming business in the income year.

Home office expenses calculation

To make the home office expenses calculation a bit easier, Joshua chooses to use the square metre rate option. This option is available to Joshua as he uses a separately identifiable area in his room mainly for his business.

The square metre rate option saves Joshua from having to record and calculate his share of utilities bills (that is, power, gas and water) and from having to estimate the exact proportion of time that he uses the area in his room for his business.

To use the square metre rate option, Joshua needs to calculate the:

- "total premises cost", which will be Joshua's share of the rent, which over the income year totalled \$12,500;
- "business square metres", which is the area (in square metres) in Joshua's room that he uses for his gaming and streaming activities (8 square metres);
- total area (in square metres) of the flat (Joshua's room, his flatmates' rooms and common areas), which Joshua finds out from his property manager that this is 110 square metres; and
- "business proportion"; which is the business square metres (the area Joshua uses for his gaming and streaming) divided by the total area of the flat, which is 8 divided by 110 = 7.3%.

Under the square metre rate option, the first part of the calculation involves multiplying the total premises cost by the business proportion. For Joshua, this is $\$12,500 \times 7.3\% = \912.50 .

The second part of the calculation involves multiplying the business square metres by the square metre rate published by Inland Revenue (for this example we use the square metre rate for the 2020 tax year, which was \$42.75). For Joshua, this is $8 \times \$42.75 = \342 .

Joshua's allowable deduction for home office expenses is then given by adding the products of the two calculations described above: $\$912.50 + \$342 = \$1,254.50$.

Internet

Joshua pays \$60 a month as his share of the flat internet bill. This includes the additional \$20 cost of having a higher speed internet connection, which Joshua agrees to pay for himself.

Joshua can claim a portion of the \$60 amount that he pays, based on the proportion of business use.

Joshua decides that the additional cost of having a higher speed internet connection is 100% attributable to his business and that he uses the internet for his business 60% of the time. As a result, he calculates his allowable deduction as being \$44 a month ($(100\% \times \$20) + (60\% \times \$40)$). This equates to \$528 over the course of the income year.

Depreciation losses

100. Content creators may be able to claim deductions for depreciation losses on assets that they use to make content. Examples of these assets might be:
 - computers or game consoles;
 - cameras, lighting or microphones; or
 - vehicles, if the content creator's activity involves the use of a vehicle, eg a travel writer where, and to the extent that, they use the vehicle when creating their travel related content.
101. Deductions for depreciation loss would be limited to the business proportion, if the assets are also used privately. In other words, the depreciation losses must be apportioned between business and private use.
102. Depreciation loss is normally claimed over multiple years, depending on the estimated useful life of an asset. However, for some low-value assets, depreciation loss can be claimed in full in the income year the asset is purchased. The low-value threshold is \$1,000.

103. For assets over the low-value threshold, taxpayers need to identify the annual depreciation rate applying to the item of depreciable property.
104. For more information on claiming deductions for depreciation loss and identifying the correct depreciation rate and the useful life of an asset, see:
- [*Te Hekenga Wāriu: Depreciation*](#) (webpage, Inland Revenue);
 - [*Depreciation: A guide for businesses*](#) (IR260, Inland Revenue, 2020); and
 - [*General Depreciation Rates*](#) (IR265, Inland Revenue, 2020).

105. IR265 provides a step-by-step process to find the right depreciation rate:

How to find the right rate

Follow this step-by-step process to find the right depreciation rate.

1. See the "Industry" category list in the contents pages. If there is an appropriate industry category for your industry and your asset is listed there, use that depreciation rate (either DV or SL), otherwise go to step 2.
2. See the "Asset" category list in the contents pages. If there is an appropriate asset category and your asset is listed, use that depreciation rate (either DV or SL), otherwise go to step 3.
3. If the asset is listed under an industry category (step 1) which isn't your main industry, and you use the asset in a similar way to the industry shown, use that depreciation rate (either DV or SL), otherwise go to step 4.
4. If none of the first three steps apply, use the default class from the appropriate asset category if the description of the default class is applicable to your asset.
5. If none of the first four steps apply, use the default class rate from the appropriate industry category if the description of the default class is applicable to your asset.
6. Where there is no appropriate listing for your asset under an industry or asset category, you can apply for a provisional depreciation rate.

You can search for a specific asset across all industry and asset categories using our depreciation rate finder at ird.govt.nz

106. When following the process in IR265 to find the correct depreciation rate, a content creator will need to identify relevant industry groups and asset categories.
107. The relevant industry groups could be:
- audio and video recording studios and professional photography; and
 - leisure.
108. The audio and video recording studios and professional photography industry might be a good fit for content creators based at home. The leisure industry group may be a good fit for content creators whose activity involves entertainment or travel.

109. The relevant asset categories could include:

- computer equipment;
- laptop computers;
- personal computers;
- tablet computers and electronic media storage devices (including smartphones);
- chairs;
- desks;
- office equipment;
- office furniture; and
- screens (for offices).

Clothing expenses

110. Generally, expenditure on clothing and its maintenance is not deductible.¹³ Generally, clothing is of a private or domestic nature as it is required for personal reasons such as warmth and modesty. Private or domestic expenditure is not deductible.
111. A content creator may need to dress in a certain way to add impact or authority to their content. Further, the content creator may wear or use the clothing only for the online content. However, these factors will not make expenses on clothing or its maintenance deductible as the private element is still paramount.
112. There would need to be special circumstances for expenditure on clothing to be deductible. Examples might include expenses on protective clothing or costumes. See Examples 21 and 22.

Example 21 – Clothing generally

Ashley, a fashion commentator, is attending a fashion show. She buys a new designer jacket to wear to the show, because being well dressed is essential to the success of her content.

The cost of the jacket is not deductible. Generally, the cost of clothing is private or domestic in nature, so is not deductible. This is so even if a high standard of dress is required for an activity.

¹³ *Mansfield v FCT* (1996) 96 ATC 4,001 (FCA).

Example 22 – Clothing special circumstances

Kenya has a content-creation business that involves creating short comedy skits based on role-playing games that she and her friends play.

Kenya spends \$50 buying materials to make a new medieval shopkeeper costume for a comedy skit that she is planning.

The cost of the materials is deductible. Although the costume will consist of clothing, in these circumstances the cost is clearly incurred in deriving income and the private benefit of the costume while worn is incidental.

Overseas income earned by a New Zealand resident

113. A content creator may be required to work overseas as part of their income-earning activity. For example, an online gamer who is a member of an overseas-based team may spend half of the year working overseas with their team. Working digitally also allows content creators based in New Zealand to earn money overseas.
114. A person who is tax resident in New Zealand is taxable on income even if they earn the income overseas (or if the income has an overseas source).¹⁴
115. A person's tax residency is different from their immigration status.
116. Content creators need to work carefully through the guidance material referred to below to determine their tax residency. However, briefly, if a person has been a New Zealand tax resident, they will become a non-resident taxpayer if they:
 - do not have a permanent place of abode in New Zealand; and
 - are away from New Zealand for more than 325 days in any 12-month period.
117. If a content creator is a New Zealand tax resident and income earned overseas is taxed overseas, tax relief will generally be available to prevent the income from being taxed twice. In some cases, a double tax agreement between New Zealand and the overseas country will give only one country the right to tax. In other cases, the income will be taxed in both countries, but a tax credit will be provided for the tax paid overseas (however, depending on the particular circumstances the tax credit may be limited).

¹⁴ Section BD 1.

118. For more information on residency and international tax, see:
- [International Tax for Individuals](#) (webpage, Inland Revenue).
 - [Double tax agreements](#) (DTAs) (webpage, Inland Revenue).
 - [New Zealand Tax Residence: Who is a New Zealand resident for tax purposes?](#) (IR292, Inland Revenue, 2019); and
 - [“Interpretation Statement IS 16/03: Tax residence”](#), *Tax Information Bulletin* Vol 28, No 10 (October 2016): 2.
119. IS 16/03 contains several examples detailing when a person will be resident in New Zealand for tax purposes.
120. For a very simple scenario and only one of the relevant tests, see Example 23.

Example 23 – Tax residency

Hyo Jin, originally from Tāmaki Makaurau, is a very popular musician and performer on TikTok. Recently, she has been collaborating and performing with a band in South Korea and posting to TikTok along the way. In the last 12 months, she spent six months overseas and the rest of her time in New Zealand.

Hyo Jin was absent from New Zealand for only 183 days during the last 12 months. This is not long enough for Hyo Jin to lose her New Zealand tax residency. Because Hyo Jin is a New Zealand resident she is taxed in New Zealand on all the income she receives (whether from New Zealand or overseas).

As a New Zealand tax resident, Hyo Jin would need to be absent for more than 325 days **and** not have a permanent place of abode in New Zealand to lose her New Zealand tax residency.

Tax withheld by payer

121. Where a content creator receives an amount that is a “schedular payment” then it should be subject to withholding tax, that is, tax is removed from the payment by the payer and paid to Inland Revenue on the content creators’ behalf before the balance of the payment is received by the content creator.
122. Withholding tax helps to ensure tax is paid as income is received, rather than at the end of the income year. The amount deducted is based on a tax code declaration the recipient gives to the payer. In most cases, the tax code used only estimates the tax on the income. Ultimately, the recipient’s income tax liability is determined in their annual income tax assessment.

123. Scheduling payments are certain types of listed payments (in schedule 4 of the Act). They include:
- a payment made in connection with:
 - a performance at a sporting event or competition;
 - making speeches or giving lectures or talks for any purpose; and
 - acting, singing, playing music, dancing or entertaining generally; and
 - one of the above performances that includes a payment for a content creator to advertise a product as part of their content-creation activity (for example, a company pays an e-sports participant to wear the company's products at an esports competition);
 - modelling fees;
 - media production fees (for example, if a content creator is creating a video for an advertiser, rather than advertising or endorsing a product in their own content); and
 - promotional appearance fees (for example, if a content creator physically appears at an event and uses their fame to promote a product or service).
124. Content creators will often be undertaking one of these activities. In these cases, a payer must withhold tax from the payment. A content creator will also need to give the payer a tax rate notification form: *Tax Rate Notification for Contractors* (IR330C, Inland Revenue, 2019). This will tell the payer what tax rate to use for the withholding.
125. For more information, see *Withholding Taxes* (webpage, Inland Revenue).

GST

126. GST is a tax that is charged on the supply of goods and services.
127. Content creators make supplies of goods or services, so may be required to return GST on those supplies. For example, a content creator may supply a service to an online platform when they post a video on the platform. A content creator may also supply a service to a company when the content creator promotes a product of the company.
128. However, GST is charged on a supply only if the supply is made by a registered person. Generally, a person is required to register for GST only if the total value of their supplies in a 12-month period exceeds or is expected to exceed \$60,000 (if the supplies are below this amount then registration is voluntary).
129. For more information on GST obligations, see *GST (Goods and Services Tax)* (webpage, Inland Revenue).

Example 24

Mai is a self-styled “mummy-blogger” who creates social media content about her young children. Much of her content focuses on natural remedies and products for babies and young children. She makes a modest amount from her social media activity (\$5,000 a year) but also has an income from her own merchandise which she promotes to her followers. Her merchandise sales are \$10,000 a year – driven by the popularity of her “Mummy Mai” branded natural baby massage oil. Mai wants to know whether she needs to register for GST.

Because Mai’s supplies do not exceed \$60,000 in any 12-month period (and are not likely to) she is not required to registered for GST. She can voluntarily register for GST but Mai decides that registering for GST is not right for her. She does not want to charge GST on sales and does not want to deal with the ongoing requirements around recordkeeping and filing returns.

Keeping good records

130. It is important for online content creators to keep good records. Failing to keep good records is risky. In some cases, failing to keep good records can result in Inland Revenue:

- treating a person as having more income than they actually do (for example, if their income needs to be determined based solely on deposits in their bank account or assets they have acquired);
- disallowing deductions for expenses a person could have claimed if they had kept a record of their expenses; or
- imposing penalties and use of money interest for underpayment of tax.

See Example 25.

131. For more information of record keeping, see [*Te Tiaki Pūkete: Record Keeping*](#) (webpage, Inland Revenue).

Example 25 – Keeping good records

Two years pass for Li, the aspiring gamer from Example 17. He has been so busy practising and competing that time seems to have flown by. He has done exceptionally well but he hasn’t thought about tax for a while.

A friend suggests to Li that he might want to get on top of his tax situation. Li makes some time to go through his online donation account, Twitch history, bank statements,

emails and other records. He is glad that he did, because he realises he has been earning regular income. Li informs Inland Revenue of his additional income and it is included in his income tax assessment for the income year just ended. This spares Li from being subject to penalties and interest.

Li was able to find some receipts and other evidence for expenditure he incurred during the income year just ended. However, he wishes he had kept better records because, if he had, he could have supported greater deductions against his income. Li starts keeping better records for the current income year.

Appendix: Legislation

Income Tax Act 2007

CA 1 Amounts that are income

...

Ordinary meaning

- (2) An amount is also income of a person if it is their income under ordinary concepts.

CB 1 Amounts derived from business

Income

- (1) An amount that a person derives from a business is income of the person.

Exclusion

- (2) Subsection (1) does not apply to an amount that is of a capital nature.

...

CB 3 Profit-making undertaking or scheme

An amount that a person derives from carrying on or carrying out an undertaking or scheme entered into or devised for the purpose of making a profit is income of the person.

CW 55BB Minors' income, to limited extent

When this section applies

- (1) This section applies for a tax year to a person, other than an absentee, when the person is—
- (a) younger than 15;
 - (b) younger than 18, and attends a registered school as defined in section 10(1) of the Education and Training Act 2020.
 - (c) younger than 19, and—
 - (i) was a person to whom paragraph (b) applied during the previous tax year; and
 - (ii) turned 18 on or after 1 January in that previous tax year; and
 - (iii) continues to attend a school of a kind referred to in paragraph (b).

Exempt income—if less than limit

- (2) An amount of income derived by the person in the tax year is exempt income if—
- (a) the income is none of—
 - (i) a PAYE income payment from which the person's employer is required to withhold tax under the PAYE rules;
 - (ii) resident passive income;
 - (iii) non-resident passive income;
 - (iv) excluded income;
 - (v) exempt income under another provision; and

- (b) the person derives in the tax year a total amount of income meeting the requirements of paragraph (a) that is less than \$2,340.

DA 1 General permission

Nexus with income

- (1) A person is allowed a deduction for an amount of expenditure or loss, including an amount of depreciation loss, to the extent to which the expenditure or loss is—
 - (a) incurred by them in deriving—
 - (i) their assessable income; or
 - (ii) their excluded income; or
 - (iii) a combination of their assessable income and excluded income; or
 - (b) incurred by them in the course of carrying on a business for the purpose of deriving—
 - (i) their assessable income; or
 - (ii) their excluded income; or
 - (iii) a combination of their assessable income and excluded income.

General permission

- (2) Subsection (1) is called the general permission.

Avoidance arrangements

- (3) Section GB 33 (Arrangements involving depreciation loss) may apply to override the general permission in relation to an amount of depreciation loss.

DA 2 General limitations

Capital limitation

- (1) A person is denied a deduction for an amount of expenditure or loss to the extent to which it is of a capital nature. This rule is called the capital limitation.

Private limitation

- (2) A person is denied a deduction for an amount of expenditure or loss to the extent to which it is of a private or domestic nature. This rule is called the private limitation.

Exempt income limitation

- (3) A person is denied a deduction for an amount of expenditure or loss to the extent to which it is incurred in deriving exempt income. This rule is called the exempt income limitation.

...

DB 18AA Square metre rate method

When this section applies

- (1) A person may choose to apply this section to determine the amount of a deduction, in an income year, for the proportion of business use of a premises (the premises) that is used partly for business purposes and partly for other purposes.

Amount of deduction

- (2) The amount of the deduction allowed in an income year for the business use of the premises is calculated using the formula—

$$\begin{aligned} & (\text{total premise costs} \times \text{business proportion}) + \\ & (\text{business square metres} \times \text{square metre rate}). \end{aligned}$$

Definition of items in formula

- (3) In the formula,—
- (a) total premise costs is the total amount of actual mortgage interest, rates, and rent that the person has paid with respect to buildings and their curtilage on the premises in the income year:
 - (b) business proportion is determined by dividing business square metres by the total area of buildings on the premises in square metres:
 - (c) business square metres is the total area, in square metres, of any separately identifiable parts of buildings on the premises that are used **primarily** for business purposes:
 - (d) square metre rate is the applicable square metre rate that is published by the Commissioner.

No other deductions allowed

- (4) A person who makes an election to apply this section under subsection (1) is not entitled to claim any other deductions for the business use of the premises.

Setting square metre rates

- (5) For the purposes of this section, the Commissioner must from time to time set and publish square metre rates.

LD 3 Meaning of charitable or other public benefit gift*Meaning*

- (1) For the purposes of sections DB 41 and DV 12 (which relate to deductions for gifts of money), and this subpart, a charitable or other public benefit gift—
- (a) means a gift of money of \$5 or more that is paid to a society, institution, association, organisation, trust, or fund (the entity), if—
 - (i) the entity is described in subsection (2)(a), (ab), (b), (c), or (d), and the name of the entity is on the list published by the Commissioner under section 41A(14) to (16) of the Tax Administration Act 1994:
 - (ii) the entity is described in subsection (2)(ac), (bb), or (bc):
 - (iii) the name of the entity is listed in schedule 32 (Recipients of charitable or other public benefit gifts):
 - (b) includes a subscription of \$5 or more paid to an entity only if the subscription does not confer any rights arising from membership in that entity or any other society, institution, association, organisation, trust, or fund:
 - (c) does not include—
 - (i) a testamentary gift:
 - (ii) a gift made by forgiving some or all of a debt.

Description of organisations

- (2) The following are the entities referred to in subsection (1)(a) and (b):
- (a) a society, institution, association, organisation, or trust that is not carried on for the private pecuniary profit of an individual, and whose funds are applied wholly or mainly to charitable, benevolent, philanthropic, or cultural purposes within New Zealand:
 - (ab) an entity that, but for this paragraph, no longer meets the requirements of this subsection, but only for the period starting on the day it fails to meet those requirements and ending on the later of—
 - (i) the day the entity is removed from the register of charitable entities under the Charities Act 2005:
 - (ii) the day on which all reasonably contemplated administrative appeals and Court proceedings, including appeal rights, are finalised or exhausted in relation to the person's charitable status.
 - (ac) a community housing entity, if the gift is made at a time the entity is eligible to derive exempt income under section CW 42B (Community housing trusts and companies):
 - (b) a public institution maintained exclusively for any 1 or more of the purposes within New Zealand set out in paragraph (a):
 - (bb) a board that is constituted under subpart 5 of Part 3 of the Education and Training Act 2020 and is not carried on for the private pecuniary profit of any individual:
 - (bc) a tertiary education institution:
 - (c) a fund established and maintained exclusively for the purpose of providing money for any 1 or more of the purposes within New Zealand set out in paragraph (a), by a society, institution, association, organisation, or trust that is not carried on for the private pecuniary profit of an individual:
 - (d) a public fund established and maintained exclusively for the purpose of providing money for any 1 or more of the purposes within New Zealand set out in paragraph (a).

Exception for certain entities

- (3) Despite subsection (2)(a), (b), (c), and (d), a society, institution, association, organisation, trust, or fund is not a relevant entity for the purposes of subsection (1) if the society, institution, association, organisation, trust, or fund,—
- (a) is not a tax charity, because it is not registered as a charitable entity under the Charities Act 2005; and
 - (b) in the opinion of the Commissioner, is eligible to be registered as a charitable entity under that Act.

Schedule 4

...

Part F Payments for activities related to sports, media, entertainment, and public speaking

1. A payment of a media contribution fee, or of a promotional appearance fee, has a standard rate of tax of 0.25 for each dollar of the payment.
2. A payment that relates to media production work has a standard rate of tax of 0.20 for each dollar of the payment, if part A of this schedule, and clauses 4 and 5 of this part do not apply to the payment.

- 3 A payment of a modelling fee has a standard rate of tax of 0.20 for each dollar of the payment.
- 4 A payment for services connected with a non-resident entertainer providing or performing a Part F activity has a standard rate of tax of 0.20 for each dollar of the payment, if the payment is—
- (a) to the non-resident entertainer:
 - (b) to an agent of the non-resident entertainer:
 - (c) to a person acting on behalf of the non-resident entertainer.
- 5 A payment for services connected with a New Zealand resident providing or performing a Part F activity has a standard rate of tax of 0.20 for each dollar of the payment, if clause 6 does not apply to the payment and it is—
- (a) to the New Zealand resident:
 - (b) to an agent of the resident:
 - (c) to a person acting on behalf of the resident.
- 6 A payment for services connected with a New Zealand resident providing or performing a Part F activity has a standard rate of tax of 0.15 for each dollar of the payment, if the payment relates to shares of riding or driving fees and it is—
- (a) to the New Zealand resident, and the resident is an apprentice jockey or an apprentice driver:
 - (b) to an agent of the apprentice jockey or apprentice driver:
 - (c) to a person acting on behalf of the apprentice jockey or apprentice driver.

- 7 In this part,—

media contribution fee means fees or remuneration, paid to a contributor, that relate to a contribution for television, radio, theatre, stage, or printed media

media production work means work or services that relate to television, videos, or films, if the work or services have the following nature:

- (a) on-set and off-set pre-production work or services:
- (b) on-set and off-set production work or services:
- (c) on-set and off-set post-production work or services

modelling fee means fees or remuneration that relate to modelling, including a personal attendance for any promotional purpose, for photography, for supplying personal photographs, or for supplying personal endorsements or statements

Part F activity means an activity or performance—

- (a) connected with—
 - (i) a sporting event or competition:
 - (ii) making speeches or giving lectures or talks for any purpose:
 - (iii) acting, singing, playing music, dancing, or entertaining generally, for any purpose and whether alone or not; and
- (b) undertaken by a person who meets the requirements of any of the following paragraphs:
 - (i) they are not fully or partly sponsored under a cultural programme of an overseas government or the Government of New Zealand:
 - (ii) they are not an official representative of a body that administers a game or sport in an overseas country:

- (iii) they are not undertaking an activity or performance under a programme of a foundation, trust, or organisation outside New Zealand which exists for the promotion of a cultural activity and is not carried on for individual profit of the member or shareholder:
- (iv) if they are an employee, officer, or principal of a company, firm, or other person, includes the company, firm, or other person

promotional appearance fee means fees or remuneration that relate to a personal attendance for exhibiting or demonstrating goods

Tax Administration Act 1994

22D Key terms

...

Meaning of reportable income

- (3) For the purposes of this Act and the Income Tax Act 2007, **reportable income**, for an individual and a tax year, means an amount of income paid or payable to the individual for the corresponding income year—
- (a) that is—
 - (i) a PAYE income payment:
 - (ii) a payment of resident passive income:
 - (iii) a payment of non-resident passive income:
 - (iv) a benefit under an employee share scheme described in schedule 4, table 1, rows 4 and 7:
 - (v) attributed PIE income; and
 - (b) for which the person paying the amount has been provided the individual's tax file number, however this requirement does not apply if the amount is income derived jointly with another person and the Commissioner is able to allocate an amount to the individual for the income year; and
 - (c) in relation to which information must be provided under this Act to the Commissioner by—
 - (i) for the items referred to in paragraph (a)(i) to (iv), 31 May in the next tax year:
 - (ii) for the item referred to in paragraph (a)(v), the date referred to in section 25K.

Meaning of other income

- (4) For the purposes of this subpart and section 141JA and schedule 8, other income or income other than reportable income, for an individual and a tax year, means an amount of income paid or payable to, or treated as income of, the individual for the corresponding income year that is not their reportable income.

22K No obligation to provide information: de minimis and certain other amounts*Small amounts of income*

- (1) No obligation to provide information for a tax year arises if an individual derives income other than reportable income for the corresponding income year of \$200 or less.

Other specific provisions may override this section

- (2) A specific provision in an Inland Revenue Act requiring an individual to provide information in a particular circumstance overrides this section.

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About this document

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