

INTERPRETATION STATEMENT | PUTANGA WHAKAMĀORI

GST – Grouping for companies

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IS 24/02

This interpretation statement explains how the GST grouping rules apply to companies. All legislative references are to the Goods and Services Tax Act 1985 (GSTA) unless otherwise stated.

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Summary | Whakarāpopoto

1. The GST grouping rules allow a group of related companies to be treated as a single company, if they meet certain eligibility requirements.¹ The rules help to reduce distortions that might otherwise arise between a single entity, a branch structure and a group structure. The GST grouping rules also help to reduce compliance costs.
2. This interpretation statement explains how the GST grouping rules apply to companies.
 - The representative member is treated as carrying on all group members' activities, as a registered person.
 - Taxable supplies made by group members to persons outside the GST group are treated as taxable supplies made by the representative member, as a registered person.
 - Taxable supplies made to group members from persons outside the GST group are treated as taxable supplies made to the representative member.
 - Taxable supplies between group members are mainly disregarded.
 - Non-taxable supplies made by or to group members are treated as made by or to the representative member. Intra-group non-taxable supplies are not disregarded.
 - The representative member claims all input tax deductions.
 - The representative member makes all input tax adjustments where there is a change in the use of goods or services acquired by group members.
3. Occasionally, these rules can have significant implications for the treatment of a supply. For example, if an unregistered company is part of a GST group and it makes supplies to persons outside the GST group, those supplies are treated as made by the representative member, as a registered person. Therefore, the supplies become taxable supplies (provided they would be taxable supplies if made by a registered person) and GST must be charged. Similarly, if a non-resident company is part of a GST group and the representative member is a New Zealand resident, supplies made by that non-resident company are treated as made by the representative member. As a result, the GST grouping rules can change the place of a supply.

¹ A related interpretation statement, IS 24/03: GST – Who can group register? explains the eligibility requirements for companies and other entities that want to form a GST group.

4. This interpretation statement contains examples that illustrate how the GST grouping rules apply. It also discusses some of the specific compliance and administrative rules that apply to GST groups.
5. While this interpretation statement focuses on the GST grouping rules as they apply to companies, the same principles may apply to other entities that are eligible to form a GST group.
6. This interpretation statement is organised into five parts:
 - [Part 1](#) discusses the purpose of the GST grouping rules.
 - [Part 2](#) summarises the eligibility requirements for GST group registration.
 - [Part 3](#) explains the main consequences of GST group registration. It includes examples illustrating how the rules apply.
 - [Part 4](#) contains further examples that concern more complicated transactions.
 - [Part 5](#) discusses some compliance and administrative rules for GST groups.

Part 1: Purpose of the GST grouping rules

7. The purpose of the GST grouping rules is to treat a group of related companies as a single company for GST purposes. Under this approach, the legal structure of the GST group is disregarded and members of the group act as a single company, carried on by the representative member.
8. This approach is intended to reduce distortions that might arise between a single entity, a branch structure and a group structure. For example, by disregarding intra-group taxable supplies, a group of companies is treated like a single company that makes taxable supplies between different departments or branches. In the case of a single company, the supply is a “self-supply” and is disregarded. The GST grouping rules ensure that this supply is also disregarded for a group of companies.
9. The GST grouping rules also simplify administration and reduce compliance costs. For example, the representative member is responsible for filing a single consolidated GST return on behalf of all companies in the GST group.² This reduces compliance costs for group members who do not file separate GST returns.

² Consequently, a company can only be a member of one GST group at a time.

10. Previously, there was some uncertainty about how the GST grouping rules interacted with other parts of the GSTA.³ The Taxation (Annual Rates for 2021–22, GST, and Remedial Matters) Act 2022 amended the GSTA to clarify that where a GST group exists, the GST grouping rules are applied before the other provisions in the GSTA.

Part 2: Eligibility requirements

11. This part summarises the eligibility requirements for GST group registration for companies. For a detailed discussion of the eligibility requirements for both companies and non-companies, see **IS 24/03: GST: Who can group register?**
12. Two or more companies⁴ are eligible to be a GST group if, under s IC 3 of the Income Tax Act 2007, they:
 - are a group of companies;
 - are part of a group of companies;
 - would be a group of companies but one or more of the companies is a multi-rate portfolio investment entity, a listed portfolio investment entity or a look-through company (s 55(1)(a)).
13. In addition, the companies must meet **either** or **both** of the following requirements:
 - Be GST-registered.
 - In a 12-month period, the companies, as the eligibility group⁵ make at least 75% taxable supplies (as a percentage by value of their taxable and other supplies) to persons outside the eligibility group. For this purpose, “taxable supplies” includes supplies that would be taxable supplies if made by a registered person (s 55(1)(b)).
14. Under s IC 3 of the Income Tax Act 2007, companies can group if they have common voting interests that total at least 66%. Where a market value circumstance exists for a

³ This uncertainty was discussed in GST policy issues - an officials' issues paper, (Policy and Strategy, Inland Revenue, February 2020) and in IRRUIP 13: Consequences of GST group registration (April 2019).

⁴ “Company” means any body corporate incorporated in New Zealand or elsewhere. “Company” does not include a local authority or a public authority (s 2 of the GSTA).

⁵ The GSTA uses the term “eligibility group” to differentiate between the group of companies before grouping (the “eligibility group”) and once the group is formed (the “GST group”).

company that is part of a group of companies, the companies can group if they have common market value interests that total at least 66%.⁶

15. For income tax purposes, a look-through company cannot be a member of a “group of companies”, and multi-rate PIEs and listed PIEs require 100% common ownership to be members of a “group of companies”. However, for GST grouping purposes, these restrictions are ignored. Look-through companies, multi-rate PIEs and listed PIEs are eligible to be members of GST groups under s 55(1) if they meet the 66% common voting interests test and, if applicable, the 66% common market value interests test.

Unregistered companies

16. A company that is not GST-registered may join a GST group, provided the eligibility group collectively makes at least 75% taxable supplies (as a percentage by value of their taxable and other supplies) to persons outside the eligibility group. A company may be unregistered because it:
 - does not carry on a taxable activity (for example, a holding company);
 - carries on a taxable activity but does not, or does not intend to, make taxable supplies in New Zealand of more than \$60,000 in a 12-month period;
 - is non-resident and does not carry on a taxable activity in New Zealand; or
 - is non-resident and carries on a taxable activity in New Zealand but does not, or does not intend to, make taxable supplies in New Zealand of more than \$60,000 in a 12-month period.
17. An unregistered company cannot be the representative member of a GST group (s 55(3)(b)).

Non-resident companies

18. In certain circumstances, a non-resident company may join a GST group:
 - A non-resident company registered for GST in New Zealand under s 51 is eligible to join a GST group. The non-resident company may join a GST group with resident or non-resident companies.

⁶ IS 22/07: Company losses – ownership continuity, sharing and measurement, explains the meaning of “market value circumstance” from [135].

- A non-resident company registered for GST in New Zealand under s 54B may only join a GST group with other non-resident companies (s 55(1B)).
- A non-resident, unregistered company may join a GST group, provided the eligibility group collectively makes at least 75% taxable supplies⁷ (as a percentage by value of their taxable and other supplies) to persons outside the eligibility group. The non-resident company may join a GST group with resident or non-resident companies.

19. [Part 5](#) of this interpretation statement explains how to apply to be a GST group (from [95]).

Part 3: Consequences of GST grouping

20. This part explains the main consequences of GST grouping for companies.

- The representative member is treated as carrying on all group members' activities, as a registered person (from [21]).
- Taxable supplies made by group members to persons outside the GST group are treated as taxable supplies made by the representative member, as a registered person (from [29]).
- Taxable supplies made to group members from persons outside the GST group are treated as taxable supplies made to the representative member (from [30]).
- Taxable supplies between group members are mainly disregarded (from [34]).
- Non-taxable supplies made by or to group members are treated as made by or to the representative member. Intra-group non-taxable supplies are not disregarded (from [41]).
- The representative member claims all input tax deductions (from [45]).
- The representative member makes all input tax adjustments where there is a change in the use of goods or services that were acquired by group members (from [57]).

⁷ Or the supplies would be taxable supplies if made by a registered person (s 55(1)(b)(ii)).

The representative member carries on all activities

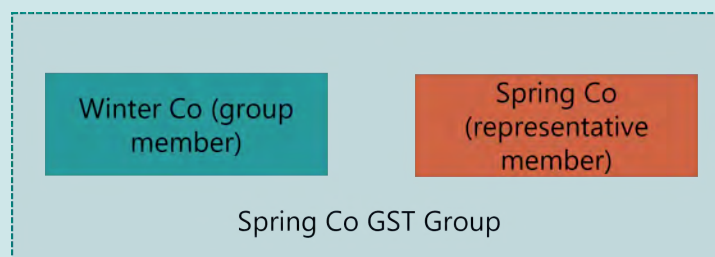
21. Once members are grouped, the representative member is treated as carrying on all the separate activities of group members, as a registered person (s 55(1AD)).

Group members' activities are not merged

22. Group members' activities are not merged so that they lose their distinctiveness. The GSTA treats the group members as if they were a single company "operating separately each activity that each member would operate in the absence of [the grouping rules]..." (s 55(1AB)(a)(i)).
23. This approach is consistent with how a single company carries on the activities of its different departments or branches or how a registered person can carry on more than one taxable activity under one GST registration. For example, in *Case R38* (1994) 16 NZTC 6,212 (TRA), the Taxation Review Authority accepted that a registered person could carry on several taxable activities under one GST registration. In this case, the taxpayer had multiple taxable activities: solicitor, deer farming and grazing, and land investment. (See also *Case P4* (1994) 14 NZTC 4,024 (TRA).)
24. These consequences apply unless the GSTA expressly provides otherwise (s 55(1AC)).
25. Example | Tauria 1 illustrates that group members' activities are treated as separately carried on by the representative member.

Example | Tauria 1 – Group members' activities are not merged

Spring Co GST Group consists of two New Zealand–resident companies: Winter Co and Spring Co. Winter Co sells torches. Spring Co sells light bulbs. Both are GST-registered, and Spring Co is the representative member.



Spring Co, as representative member, is treated as carrying on the taxable activity of Winter Co (s 55(1AD)).

This means the companies in Spring Co GST Group are treated as a single taxable company for GST purposes. However, the taxable activities of Spring Co and Winter Co are not merged into one taxable activity. Spring Co is treated as carrying on both taxable activities – selling torches and selling light bulbs.

Grouping may change the nature of a group member’s activity

- 26. An unregistered company can join a GST group. However, once grouped, its activity is treated as carried on by the representative member **as a registered person**. This has implications for the GST treatment of supplies made by that unregistered company while part of the GST group (discussed at [33]). The unregistered company does not need to separately register for GST while in the GST group.
- 27. Example | Taura 2 illustrates how grouping may change the nature of a group member’s activity.

Example | Taura 2 – Grouping may change the nature of a group member’s activity

The facts are the same as in Example | Taura 1, except Winter Co is not registered for GST. This is because in the last 12 months, Winter Co has not made taxable supplies of more than \$60,000 and it does not expect to exceed this threshold in the next 12 months.



Under s 55(1AD), Spring Co, as representative member, is treated as carrying on the activity of Winter Co, as a registered person. As a result, Winter Co’s activity is treated as carried on by a registered person, and therefore any supplies of torches that Winter Co makes outside the group are taxable supplies and GST must be charged.

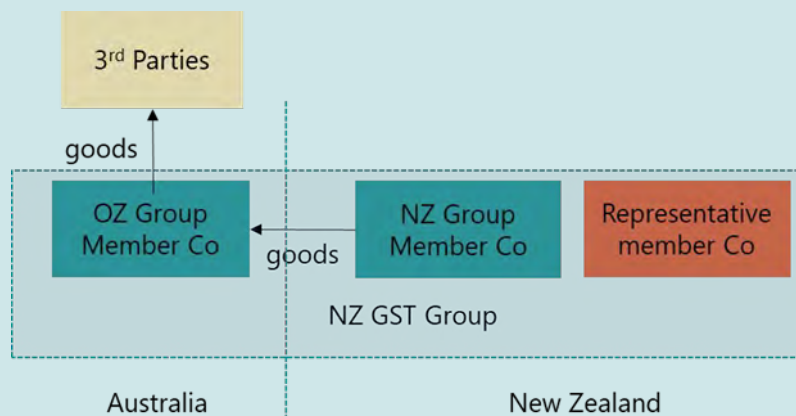
Grouping may change the place of supply

- 28. A non-resident company may join a GST group. However, once grouped, its activity is treated as carried on by the representative member. If the representative member is a

New Zealand–resident company, the non–resident company’s activity is treated as carried on by the New Zealand–resident representative member. Example | Taura 3 illustrates how grouping may change the place of supply.

Example | Taura 3 – Grouping may change the place of supply

There are three companies in NZ GST Group. Two are New Zealand–resident companies (NZ Group Member Co and Representative Member Co) and one is an Australian–resident company (OZ Group Member Co).



NZ Group Member Co makes a supply of goods to OZ Group Member Co. OZ Group Member Co then supplies those goods to third parties in Australia.

Supplies of goods made by OZ Group Member to third parties in Australia, are treated as made by Representative Member Co to the third parties in Australia. As Representative Member Co is resident in New Zealand the supply is subject to GST under s 8(2). However, as the goods have been exported to Australia, they are zero-rated under s 11(1)(c). Representative Member Co must account for GST on this supply in the group GST return, although no GST is payable on the supply of goods as it is a zero-rated supply. Example | Taura 10 considers this arrangement in more detail.

The representative member makes and receives all taxable supplies

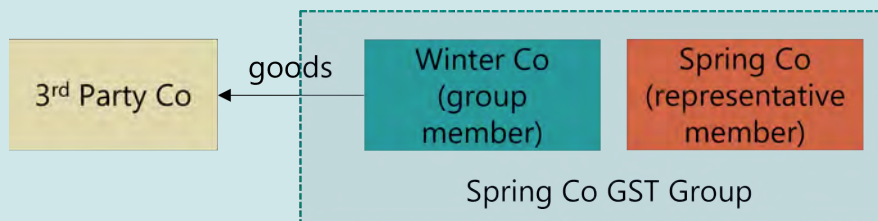
- 29. Taxable supplies (standard-rated and zero-rated supplies) made by a group member to a person outside the GST group are treated as taxable supplies made by the representative member, as a registered person (s 55(1AE)).

30. Similarly, taxable supplies to a group member from a person outside the GST group are treated as taxable supplies received by the representative member, as a registered person (s 55(1AG)).
31. These consequences apply unless the supply is a supply of imported services that is treated as made in New Zealand under s 8(4B); or the GSTA expressly provides otherwise (s 55(1AC)). Supplies of imported services subject to s 8(4B), are discussed from [75].
32. Example | Taura 4 illustrates that taxable supplies made by a group member to a person outside the GST group are treated as made by the representative member.

Example | Taura 4 - Taxable supplies made by a group member to a person outside the GST group

The facts are the same as in Example | Taura 1.

Winter Co, a GST-registered company, makes a taxable supply of goods to 3rd Party Co. That supply is treated as a taxable supply made by Spring Co, as the representative member (s 55(1AE)).



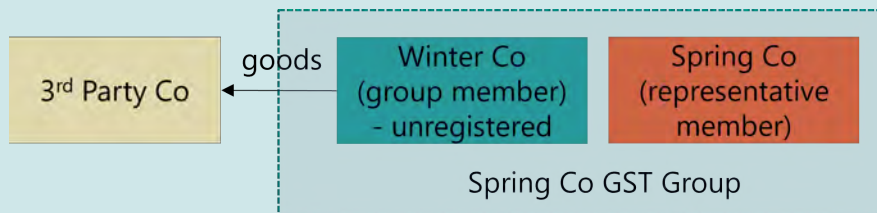
Spring Co must account for GST on this supply in the group GST return.

Supplies by an unregistered group member to persons outside the GST group

33. If an unregistered company joins a GST group and makes a supply of goods or services to a person outside the GST group, the supply is treated as made by the representative member, as a registered person. If the supply would be a taxable supply if made by a registered person, the grouping rules treat that supply as a taxable supply made by the representative member. Consequently, GST must be charged on this supply and the relevant taxable supply information must be retained. This is illustrated in Example | Taura 5. Taxable supply information is discussed in more detail from [113].

Example | Taura 5 – Supply by an unregistered group member to a person outside the GST group

The facts are the same as in Example | Taura 4, except Winter Co is not registered for GST. Winter Co makes a supply of goods to 3rd Party Co. The supply is treated as a taxable supply made by Spring Co, as the GST-registered representative member (ss 55(1AE)(a) and 55(1AF)).



GST must be charged on this supply and taxable supply information must be retained. Spring Co must account for GST on this supply in the group GST return, even though Winter Co is not separately registered for GST.

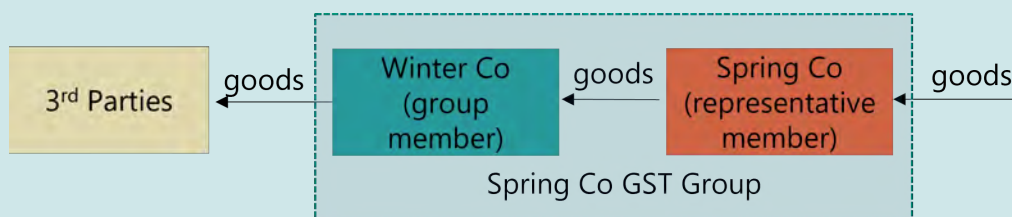
Taxable supplies between group members are mainly disregarded

34. Taxable supplies between group members are mainly disregarded when calculating tax payable by the GST group (s 55(1AE)(b)). This means output tax is not charged on an intra-group taxable supply and input tax cannot be claimed.
35. Disregarding an intra-group taxable supply does not prevent the GST group from claiming input tax on the original supply of the goods or services into the GST group. The representative member can still claim an input tax deduction on the original taxable supply of those goods or services by a third party into the GST group, to the extent to which the goods or services are used or intended to be used to make taxable supplies outside the GST group (s 20(3C)).
36. However, not all intra-group taxable supplies are disregarded. If the supply is a supply of imported services that is treated as made in New Zealand under s 8(4B), the supply cannot be disregarded. In addition, an intra-group taxable supply will not be disregarded if the GSTA expressly provides that the supply cannot be disregarded (s 55(1AC)) or if the GSTA requires otherwise (s 55(1AE)).

37. The group member and representative member must retain sufficient records relating to the disregarded supply, should the Commissioner need to verify any information (s 75).
38. This outcome is consistent with the purpose of the GST grouping rules, which is to treat a group of companies as a single company. If the GST group were a single company, an intra-group supply would be a “self-supply” and would not be subject to GST.
39. Example | Taura 6 concerns a disregarded intra-group taxable supply.

Example | Taura 6 – Disregarded intra-group taxable supply

Spring Co agrees to sell light bulbs to Winter Co for \$1,000 plus GST. Winter Co intends to use those light bulbs in the torches it produces to make taxable supplies to third parties outside the GST group. The supply of light bulbs from Spring Co to Winter Co is taxable supply of goods and, if the companies were not grouped, Spring Co would need to charge \$150 of output tax on this supply.



However, Spring Co and Winter Co are in the same GST group. This means taxable supplies between group members are disregarded. As the supply is disregarded, no output tax is charged on Spring Co’s supply of the light bulbs to Winter Co.

However, disregarding the supply between Spring Co and Winter Co does not affect the GST group’s ability to claim input tax on the goods Spring Co acquires from outside the group to make the supply to Winter Co. Spring Co (as the representative member) may claim a full input tax deduction on that supply because the GST group intends to use those goods to make taxable supplies to third parties outside the GST group.

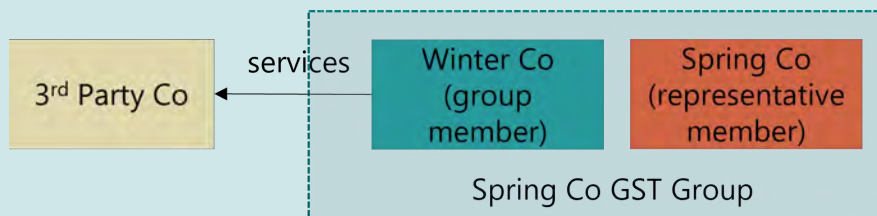
40. [Part 4](#) of this interpretation statement contains detailed examples illustrating how cross-border intra-group taxable supplies are treated.

The representative member makes and receives all non-taxable supplies

41. Non-taxable supplies are exempt supplies, supplies where the supplier is not GST-registered and supplies where the supply is not subject to GST.
42. Non-taxable supplies made by a group member are treated as made by the representative member (s 55(1AF)). Similarly, non-taxable supplies made to a group member are treated as made to the representative member, as a registered person (s 55(1AG)). Intra-group non-taxable supplies are not disregarded.
43. These consequences apply, unless the supply is a supply of imported services that s 8(4B) treats as made in New Zealand, or the GSTA expressly provides otherwise (s 55(1AC)).
44. The following examples illustrate how these rules apply:
 - Example | Taura 7 illustrates an exempt supply of services by a group member to a third party.
 - Example | Taura 8 illustrates an intra-group exempt supply of services.
 - Example | Taura 9 illustrates a non-taxable supply of goods by an unregistered group member to a third party.
 - Example | Taura 10 illustrates a non-taxable supply of goods by a non-resident group member to a non-resident third party.

Example | Taura 7 – Exempt supply of services by a group member to a third party

Winter Co supplies financial services to 3rd Party Co. The supply is an exempt supply, so Winter Co does not charge GST on this supply.



Section 55(1AF) treats the supply of financial services as made by Spring Co, as the representative member of the GST group. The supply remains an exempt supply.

Example | Taura 8 - Intra-group exempt supply

Frost Co has joined Spring Co GST Group. Winter Co makes an exempt supply of financial services to Frost Co. The supply is an exempt supply, so Winter Co does not charge GST on this supply.



The exempt supply of financial services is treated as made by Spring Co, as the representative member (ss 55(1AF)). The supply is also treated as received by Spring Co, as the representative member (s 55(1AG)). The supply remains an exempt supply.

Example | Taura 9 – Non-taxable supply of goods by an unregistered group member to a third party

Seasons Co has joined Spring Co GST Group. Seasons Co is not registered for GST as it has not made supplies of more than \$60,000 in the last 12 months and does not expect to do so in the next 12 months. Seasons Co makes a non-taxable supply of goods to 3rd Party Co.

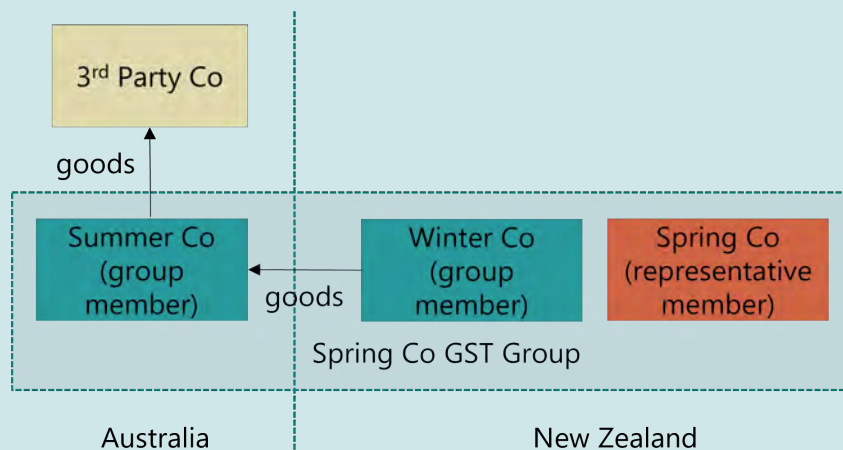


The non-taxable supply of goods by Seasons Co is treated as made by Spring Co, as representative member (ss 55(1AE)(a) and 55(1AF)). As Spring Co is GST-registered, and as the supply would be a taxable supply if made by a registered person, the supply changes from a non-taxable supply to a taxable supply. Output tax must be charged, and taxable supply information must be retained.

Example | Taura 10 – Non-taxable supply of goods by a non-resident group member to a non-resident third party

Summer Co (an Australian-resident company) has joined Spring Co GST Group. Summer Co is eligible to join the group because it is registered for GST under s 51 and satisfies the requirements of s 55(1).

Winter Co makes a supply of goods to Summer Co. Summer Co then makes a supply of goods to 3rd Party Co. 3rd Party Co is an Australian-resident company and not part of Spring Co GST Group.



There are two supplies – the supply from Winter Co to Summer Co and the supply from Summer Co to 3rd Party Co. The first supply is an intra-group taxable supply and is disregarded (s 55(1AE)(b)).

The second supply made by Summer Co to 3rd Party Co is treated as made by Spring Co (s 55(1AF)). Because Spring Co is resident in New Zealand, the supply is subject to GST under s 8(2). However, as the goods have been exported to Australia, it is likely they will be zero-rated under s 11(1)(c). Spring Co needs to include the supply in the group GST return, although no GST is payable as it is a zero-rated supply.

The representative member claims all input tax deductions

45. A consequence of treating the representative member as making and receiving all taxable supplies from outside the GST group is that the representative member is treated as paying all tax paid by any member of the GST group on those supplies (s 55(1AL)(b)).

46. Because the GST grouping rules treat the GST group as a single taxable company, input tax deductions are calculated as if the GST group was a single company.
47. Example | Tauria 6 at [39] illustrates how an intra-group taxable supply is disregarded. In that example, goods that Spring Co acquired from outside the GST group are used to make an intra-group taxable supply to Winter Co (a group member). Winter Co then uses those goods to make taxable supplies to third parties outside the GST group. Spring Co, as the representative member, can claim an input tax deduction on the supply of goods coming into the GST group, because Winter Co intends to use the goods to make taxable supplies to third parties.
48. To determine the extent to which goods or services are used for making taxable supplies, a GST group must estimate how it intends to use them. A full input tax deduction is allowed for goods or services that are intended to be used solely for making taxable supplies.
49. In Example | Tauria 6, an input tax deduction would not be available if Winter Co intended to use the goods to make exempt supplies. This is because under s 20(3C) input tax may be deducted only to the extent to which the goods and services are used for or are intended to be used in making taxable supplies.
50. Input tax deductions are calculated under s 20(3H). The formula is:
$$\text{Full input tax deduction} \times \text{percentage intended use}$$
51. "Full input tax deduction" means the total amount of input tax on the supply. "Percentage intended use" means the extent to which the person intends to use the goods or services for making taxable supplies, estimated at the time of acquisition and expressed as a percentage (s 20(3I)).
52. When goods or services are acquired from outside the GST group, there will often be a clear intention as to the extent to which the goods or services are to be used to make taxable supplies. For example, a GST group that makes furniture might acquire timber to make tables. As the sale of tables is a taxable supply, the timber acquired is intended to be fully used to make taxable supplies. However, in other situations, it may be more difficult to estimate the intended use of the goods or services. This typically occurs when goods or services comprising of "overheads" are acquired. For example, it might be difficult to determine the extent to which electricity acquired to power a company's office building is used to make taxable supplies, where that company makes both taxable and exempt supplies.
53. To determine the "percentage intended use", the Commissioner's approach is to directly attribute those goods or services to making either taxable supplies or exempt

supplies, where there is a clear intention of the extent to which the goods or services will be used. Where direct attribution is not possible, the extent to which the goods or services will be used to make taxable supplies compared to non-taxable supplies is estimated by apportioning on a reasonable basis.

Input tax deductions where goods or services are used to make taxable supplies

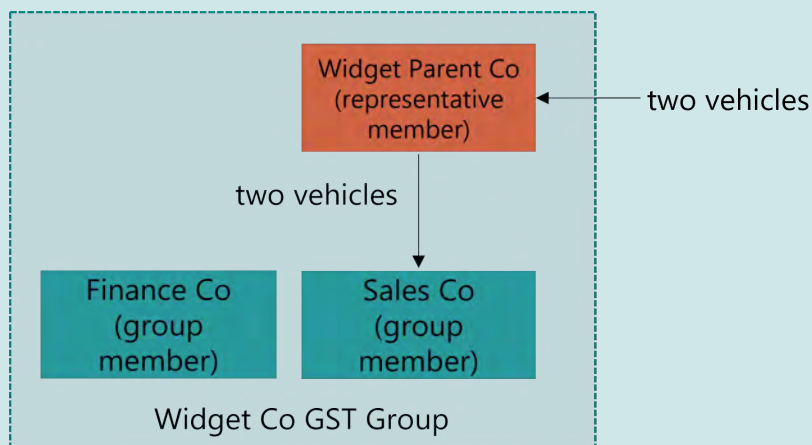
54. Example | Taura 11 demonstrates how to calculate an input tax deduction where the goods or services acquired from outside the GST group are directly attributable to a taxable supply.

Example | Taura 11 – Input tax deductions where goods or services are used to make taxable supplies

Widget Parent Co is the representative member of the Widget Co GST Group. Sales Co makes taxable supplies of widgets to third parties. Finance Co makes exempt supplies of financial services to third parties.

Widget Parent Co purchases two vehicles. The vehicles cost \$23,000 each, including GST. Widget Parent Co supplies both vehicles to Sales Co for business use. The supply is an intra-group taxable supply and is disregarded.

Sales Co intends to use the vehicles in its business.



Widget Parent Co can claim a full input tax deduction of \$6,000 in the group GST return on the purchase of the vehicles because the vehicles are intended to be wholly used by Sales Co to make taxable supplies.

Input tax deductions where goods or services are used to make taxable and exempt supplies

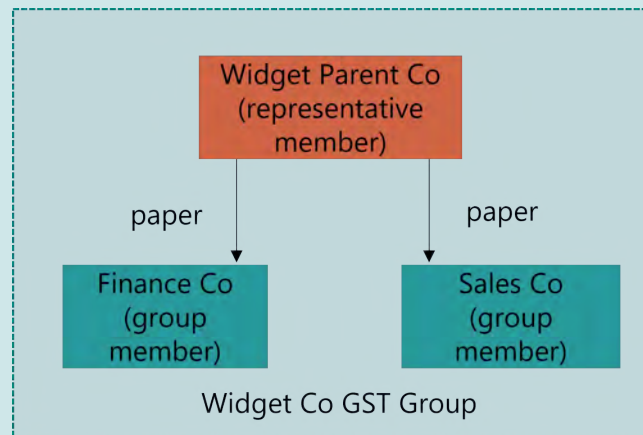
55. Where a supply of goods or services from outside the GST group cannot be directly attributed to a taxable supply, the GST group must apportion the input tax based on the GST group's estimate of the extent to which those goods or services are intended to be used to make taxable supplies (s 20(3G)). The GST group must choose a determination method that provides a fair and reasonable result.
56. Example | Taura 12 illustrates how to calculate an input tax deduction where the goods or services acquired from outside the GST group cannot be directly attributed to a taxable supply.

Example | Taura 12 – Input tax deductions where goods or services are used to make both taxable and exempt supplies

The facts are the same as in Example | Taura 11.

Widget Parent Co purchases a pallet of photocopy paper from outside the GST group. Widget Parent Co supplies Sales Co and Finance Co with paper as required. These supplies are disregarded intra-group taxable supplies.

Widget Parent Co (as the representative member) wants to know if it can claim back the input tax on the purchase of the paper in the group GST return. Widget Parent Co has no record itemising how much paper Finance Co and Sales Co each used.



To determine the “percentage intended use” of the paper, it is not possible or realistic, given the nature of Widget GST Group’s business, to directly attribute the paper to the making of taxable and exempt supplies. This means the extent to which the paper is intended to be used to make taxable supplies must be determined in another way. This generally involves determining the extent to which the paper is intended to be used to make taxable supplies based on the levels of supplies made by the group or some other reasonable basis and apportioning the input tax accordingly.

Therefore, the levels of taxable versus non-taxable supplies made outside the GST group would need to be measured in an appropriate way. This might be by using a turnover method or a profit-based method or another method that more fairly reflects the proportion of taxable supplies to total supplies. The method used would need to consider the nature of the businesses carried on by the GST group and the contribution of each group member. The “percentage intended use” would then be applied to determine the amount of input tax that could be claimed.

The representative member makes all change-in-use adjustments

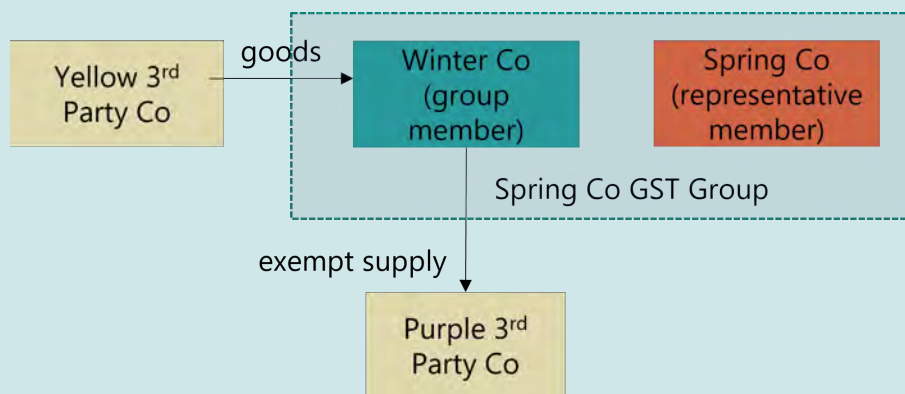
57. Where a company acquires goods or services with the intention of making taxable supplies, but the actual use of those goods or services later changes, an input tax adjustment may be required (ss 21 and 21A).
58. The grouping rules contain a specific provision for dealing with adjustments where the goods or services were acquired before a company joined a GST group. For example, if a company acquires goods or services before joining a GST group, and that company intends to use those goods or services to make taxable supplies, s 55(1AH) treats the initial acquisition of the goods or services as made by the representative member. The

grouping rules already treat any later application of those goods or services as made by the representative member, so in this way it is the same “person” acquiring the goods or services and subsequently applying them for a different purpose. This rule ensures the representative member can make any adjustments where there has been a change in use.

59. These consequences apply, unless the supply is a supply of imported services that s 8(4B) treats as made in New Zealand; or the GSTA expressly provides otherwise (s 55(1AC)).
60. Example | Taura 13 illustrates how to make a change-in-use adjustment where a company acquires goods to make taxable supplies before grouping and those goods are subsequently applied to make an exempt supply once the GST group is formed.

Example | Taura 13 – Change-in-use adjustment for goods acquired pre-grouping

Before Spring Co GST Group is formed, Winter Co acquires goods from Yellow 3rd Party Co with the intention of using those goods to make taxable supplies. Winter Co deducted input tax on this supply. After Spring Co GST Group is formed, Winter Co uses the goods to make an exempt supply to Purple 3rd Party Co.



If Winter Co was not part of Spring Co GST Group, it would need to make an adjustment for the change in use of the goods. As part of a GST group, an adjustment still needs to be made. This adjustment is made by Spring Co as the representative member.

Spring Co makes this adjustment because s 55(1AH) treats the initial acquisition of the goods by Winter Co (pre-grouping) to have been made by Spring Co. Spring Co is also treated as making the exempt supply to Purple 3rd Party Co, made in fact, by Winter Co.

61. Example | Taura 14 illustrates how to make a change-in-use adjustment where the intended use of the goods differs from the actual use.

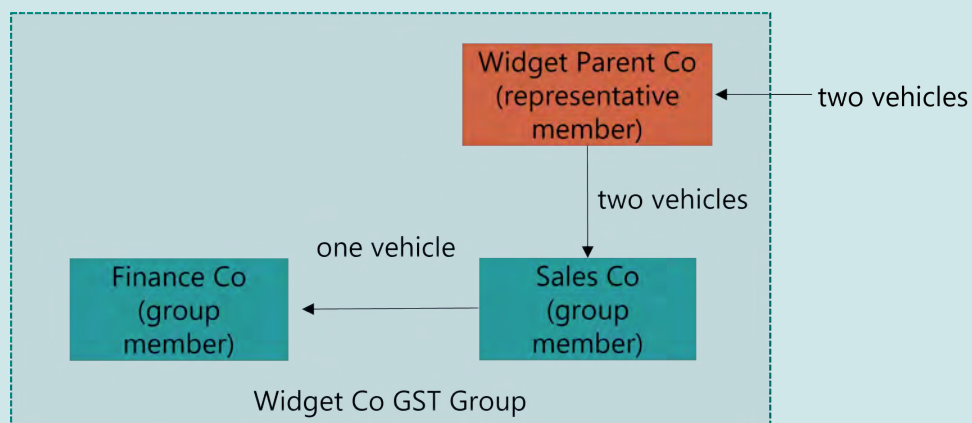
Example | Taura 14 – Change-in-use adjustment where intended use differs from actual use

The facts are the same as in Example | Taura 11.

Widget Parent Co purchases two vehicles. The vehicles cost \$23,000 each, including GST. Widget Parent Co supplies the vehicles to Sales Co for business use. The supply is an intra-group taxable supply and so is disregarded.

Sales Co intends to use the vehicles in its business and it does so for the first year. In the following year, Sales Co sells one vehicle to Finance Co for \$20,000. The supply is an intra-group taxable supply and so is disregarded. No output tax is charged on this supply. Finance Co uses the vehicle 100% to make exempt supplies.

Widget Co GST Group wants to know whether it needs to make a change-in-use adjustment.



In Example | Taura 11, Widget Parent Co claimed a full input tax deduction in the group GST return on the purchase of the vehicles, because Sales Co intended to use both vehicles wholly to make taxable supplies.

In this example, an adjustment needs to be made to account for the permanent change in use of one of the vehicles (s 21A).

As the change in use (from 100% taxable to 100% exempt) is permanent and is not expected to change in future, s 21FB applies. The amount of the adjustment is calculated under s 21FB(2).

Section 21FB(2) provides that the Widget Co GST Group's adjustment for the adjustment period in which the change occurred is an amount calculated using the formula:

$$\text{Full input tax deduction} \times \text{new intended use percentage} - \text{previous net deductions}$$

"Full input tax deduction" is the total amount of input tax on the supply, which is \$3,000. The "new intended use percentage" is 0%, as the vehicle is to be used 100% to make exempt supplies. "Previous net deductions" is \$3,000. Therefore, the formula gives a result of -\$3,000. As the amount is negative, Widget Parent Co must treat the \$3,000 as a positive amount of output tax and attribute it to the relevant adjustment period under s 20(4) (s 21FB(4)(b)).

Therefore, \$3,000 is the amount Widget Parent Co must return when filing the group GST return.

Part 4: Further examples

62. The examples in this part concern more complicated transactions.
- Cross-border intra-group taxable supplies (from [63]).
 - Financial services supplied to or between group members under the business-to-business regime (from [80]).
 - GST on capital-raising costs (from [87]).
 - Sale of a business by a GST group (from [90]).

Cross-border intra-group taxable supplies

Exported goods

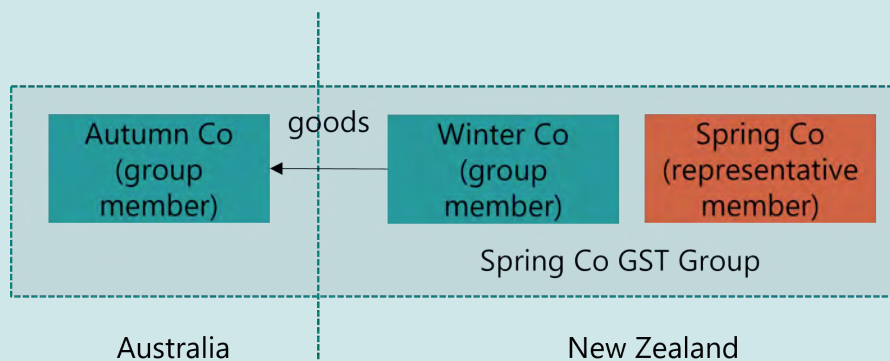
63. A supply of goods is zero-rated where the supplier enters the goods for export under the Customs and Excise Act 2018 (s 11(1)(d) of the GSTA). To be eligible for zero-rating, the goods must be entered for export within 28 days from the time of supply; otherwise, the supply is standard-rated (s 11(4)).
64. It may not always be possible to export goods within 28 days of the time of supply. In these circumstances, a supplier may apply to the Commissioner for an extension of time, provided they meet certain conditions (s 11(5)).

65. However, where the supplier and the recipient are part of the same GST group, it does not matter whether the supplier enters the goods for export within 28 days or not. The supply is an intra-group taxable supply and is disregarded (s 55(1AE)(b)). This outcome is consistent with branch treatment. If a New Zealand-resident company sends goods to its branch in Australia to sell to the Australian market, there is no supply when the goods are sent overseas so there are no GST consequences. When the goods are eventually sold in Australia, they may be zero-rated under either para (c) or para (j) of s 11(1) on the basis that the goods have been exported or that they are outside New Zealand at the time of supply and delivered to a recipient also outside New Zealand.
66. Example | Taura 15 illustrates how the GST grouping rules apply when a New Zealand-resident company makes a taxable supply of goods to a non-resident company in the same GST group.

Example | Taura 15 – Cross-border intra-group taxable supply of exported goods

Autumn Co has joined Spring Co GST Group. Autumn Co is an Australian-resident company that sells industrial torches to the New Zealand and Australian markets. It is eligible to be a part of Spring Co GST Group because it is registered for GST in New Zealand under s 51.

Winter Co sells a crate of torch lenses to Autumn Co. Before grouping, the goods would have been zero-rated as Winter Co entered them for export within 28 days of the time of supply. As the companies are now grouped, Spring Co GST Group would like to know how it should treat this supply.



The taxable supply of torch lenses between Winter Co and Autumn Co is an intra-group taxable supply and is disregarded (s 55(1)(AE)(b)).

If Winter Co had failed to enter the goods for export with 28 days, the outcome would be the same. The supply is an intra-group taxable supply and is disregarded.

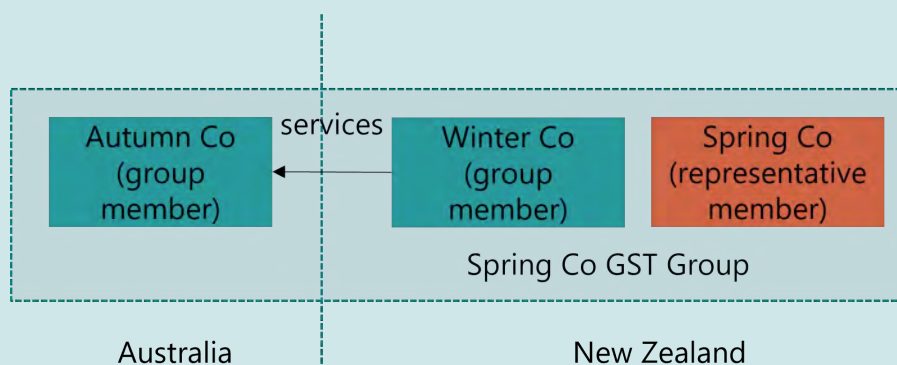
Therefore, Spring Co (as representative member) would not need to seek an extension of time under s 11(5) in relation to this supply.

Exported services

67. A supply of exported services is zero-rated where the services are supplied to a person who is not resident in New Zealand and who is outside New Zealand when the services are performed (s 11A(1)(k)).⁸
68. If a New Zealand-resident company makes a taxable supply of services to a non-resident company in the same GST group, the supply of exported services is disregarded. This outcome is consistent with branch treatment because supplies of services between branches are ignored for GST purposes.
69. Some exported services must be standard-rated. For example, exported services that are supplied directly in connection with land in New Zealand and are intended to enable a change in ownership of that land (s 11A(1)(k)(i)). However, if the companies supplying and receiving the services are part of the same GST group, this supply is disregarded. Example | Taura 16 illustrates the GST treatment of a cross-border intra-group taxable supply of exported services.

Example | Taura 16 – Cross-border intra-group taxable supply of exported services

Winter Co makes a supply of exported services to Autumn Co. Spring Co GST Group would like to know how this supply should be treated for GST purposes.



⁸ Provided those services are not supplied directly in connection with land, improvements to land or movable personal property situated in New Zealand; or if the services relate to the acceptance of an obligation to stop carrying on a taxable activity in New Zealand.

If the companies were not grouped, the supply of services from Winter Co to Autumn Co would be a zero-rated supply under s 11A(1)(k). However, because Winter Co and Autumn Co are part of the same GST group and because the supply is a taxable supply of services between group members, the supply is disregarded (s 55(1AE)(b)).

If the supply between Winter Co and Autumn Co was a supply of conveyancing services provided to Autumn Co in relation to the sale of land that Autumn Co owned in New Zealand, the outcome would be the same. The supply is still an intra-group taxable supply of exported services and is disregarded instead of zero-rated under s 11A(1)(k)(i).

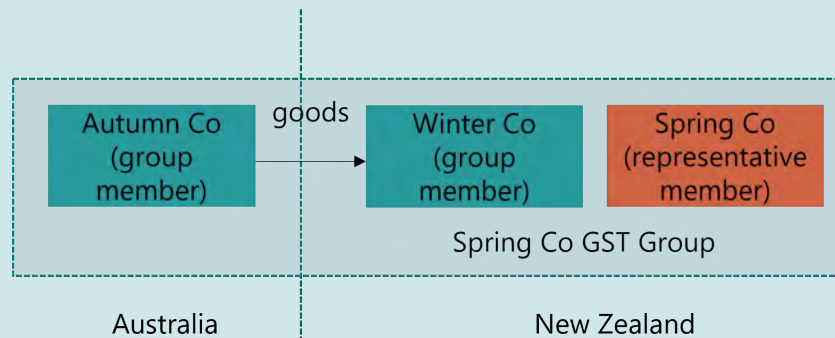
Imported goods

70. GST is levied on goods⁹ imported into New Zealand at the rate of 15% (s 12). The New Zealand Customs Service collects this tax. GST is levied on imported goods by reference to their value (which includes the value of the goods, any freight costs and customs duty, if applicable). It is not levied on goods because a supply took place.
71. In addition, GST may be charged on the cross-border supply of goods if the goods are in New Zealand at the time of supply, or the goods are distantly taxable goods (s 8(3)). In these circumstances, GST is charged on the supply at the rate of 15%. However, if the goods are supplied for the purposes of carrying on the recipient's taxable activity, the goods are treated as supplied outside New Zealand, unless the supplier chooses to treat the supply as made in New Zealand (s 8(4)).
72. Where a GST group makes a cross-border intra-group supply of imported goods and the representative member is resident in New Zealand, the supply is treated as made in New Zealand by a New Zealand-resident, registered supplier. This is because the representative member is treated as carrying on the taxable activity of the non-resident company and under s 8(2) goods are treated as supplied in New Zealand if the supplier is resident in New Zealand. This is the case whether the goods are in New Zealand at the time of supply or not. As this is an intra-group taxable supply of goods, the supply is disregarded. Disregarding the supply ensures that there is consistent treatment between branches and companies. A cross-border transfer of goods between branches would also be disregarded for GST purposes. Customs duty may still apply.
73. Example | Tauira 17 illustrates the GST treatment of a cross-border intra-group taxable supply of imported goods.

⁹ Except for fine metal and distantly taxable goods (goods valued at \$1,000 or less (excluding GST)).

Example | Taura 17 – Cross-border intra-group taxable supply of imported goods

Autumn Co makes an intra-group supply of goods to Winter Co. The goods are not in New Zealand at the time of supply. Spring Co GST Group want to know how to treat this supply for GST purposes.



GST of 15% is levied on the goods when they are imported into New Zealand (s 12(1)). Customs duty may also apply.

Under the GST grouping rules, Autumn Co’s activity is treated as carried on by Spring Co, as a registered person (s 55(1AD)). Because Spring Co is a New Zealand resident, the supply is considered to take place in New Zealand and is a taxable supply, subject to GST at the rate of 15% (s 8(2)). However, because the supply is a taxable supply between two group members, it is disregarded under s 55(1AE)(b). This is the position, even if the goods are not in New Zealand at the time of supply.

Spring Co can claim back the GST levied under s 12, if the goods are acquired as part of Spring Co’s taxable activity.

Imported services

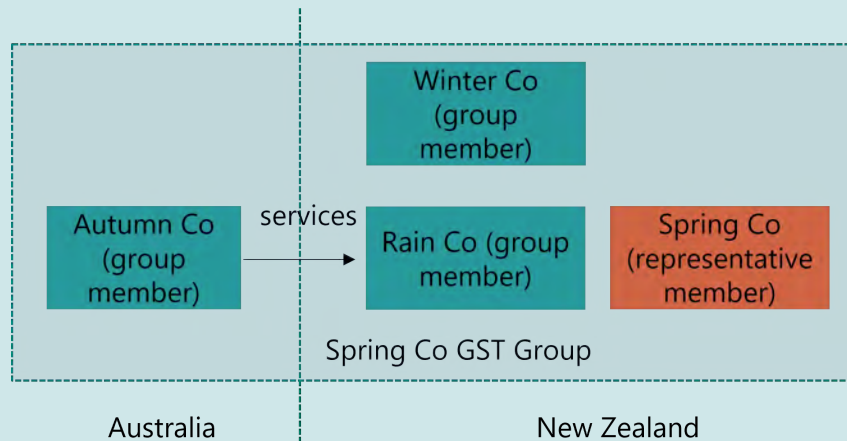
74. Certain supplies of imported services may be subject to GST. If the requirements of s 8(4B) are met, a supply of imported services may be treated as made in New Zealand and therefore subject to GST. This is known as the “reverse charge”. However, if the supply of imported services does not meet the requirements of s 8(4B), the supply may still be subject to GST if it is a supply of remote services under s 8(3)(c). The application of the GST grouping rules to the reverse charge and to remote services is discussed below.

Reverse charge

75. The reverse charge applies where a non-resident supplies services into New Zealand.¹⁰ The reverse charge treats the supply of imported services as made in New Zealand by the recipient of the supply (s 5B). Therefore, the supply becomes subject to GST.
76. The reverse charge overrides the GST grouping rules. Therefore, if the reverse charge applies and a supply of imported services is treated as made in New Zealand, s 55(1AC)(a) provides that subss (1AD) to (1AI) of s 55 do not apply. The effect of s 55(1AC)(a) is that the single taxable company disappears, and each company in the GST group is recognised as a separate company. This means the intra-group taxable supply of imported services cannot be disregarded and must be included in the group GST return. Example | Taura 18 illustrates this situation.

Example | Taura 18 – Cross-border intra-group taxable supply of imported services subject to the reverse charge

Autumn Co provides software services to Rain Co, a New-Zealand-resident subsidiary of Winter Co and a member of Spring Co GST Group. Rain Co is a financial services company. Spring Co GST Group would like to know how this supply should be treated for GST purposes.



The supply satisfies s 8(4B), so it is a taxable supply treated as taking place in New Zealand:

¹⁰ The reverse charge also applies to a supply of goods, but only where the goods are imported by the recipient in a consignment with a total value of \$1,000 or less, and the recipient does not pay GST to the New Zealand Customs Service or to the supplier (s 8(4B)(bb)). However, s 55(1AC)(a) only applies to a supply of services and not a supply of goods under s 8(4B).

- the services are supplied by a non-resident supplier (Autumn Co) to a recipient in New Zealand (Rain Co);
- the recipient does not intend to use the services more than 95% in their taxable activity to make taxable supplies (Rain Co is a financial services company so makes mainly exempt supplies); and
- the supply of services would be a taxable supply if it were made in New Zealand by a registered person in the course or furtherance of their taxable activity.

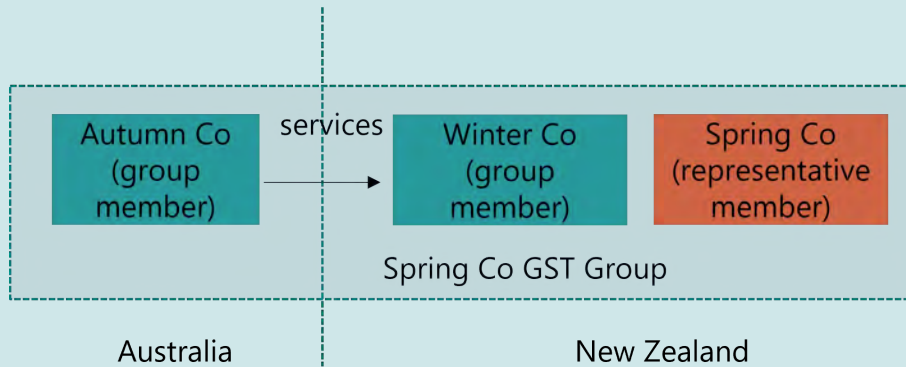
Under s 55(1AC)(a), the intra-group taxable supply of imported services is not disregarded and must be included in the Spring Co GST group return. The Spring Co GST Group disappears for the purpose of this transaction, and each company in the group is recognised as a separate company.

Remote services

77. "Remote services" are services where, at the time of performance of the service, no necessary connection exists between the physical location of the recipient and the place where the services are physically performed (s 2). Remote services include services such as the supply of digital content and the online supply of games and publishing services.
78. If the recipient of the supply of imported services does not satisfy s 8(4B), for example, if the recipient intends to use the services 95% or more in their taxable activity, the reverse charge will not apply. However, if the supply is a supply of remote services, the supply is treated as being supplied in New Zealand under s 8(3)(c) and will still be a taxable supply, provided s 8(4D) does not apply (where remote services are supplied to a GST-registered company for the purpose of carrying on their taxable activity).
79. However, where there is a cross-border intra-group taxable supply of remote services and the representative member is resident in New Zealand, the supply is treated as made in New Zealand by a New Zealand-resident supplier. This is because the representative member is treated as carrying on the taxable activity of the non-resident company (discussed at [28]), and under s 8(2) the services are considered to be supplied in New Zealand if the supplier is resident in New Zealand. The supply is therefore an intra-group taxable supply and is disregarded. Unlike the reverse charge, the remote services rule does not override the GST grouping rules. Example | Taurira 19 illustrates this situation.

Example | Tauria 19 – Cross-border intra-group taxable supply of remote services

Autumn Co provides software to Winter Co. The supply does not satisfy s 8(4B) because Winter Co intends to use the services 95% or more in its taxable activity to make taxable supplies. Therefore, the reverse charge does not apply. Spring Co GST Group wants to know how to treat this supply for GST purposes.



Autumn Co's activity is treated as carried on by Spring Co, as a registered person (s 55(1AD)). Because Spring Co is a New Zealand resident, the supply is treated as taking place in New Zealand and is a taxable supply (s 8(2)). However, because the supply is a taxable supply between two group members, it is disregarded under s 55(1AE)(b).

Business-to-business supplies of financial services

80. Companies that elect into the business-to-business regime can zero-rate supplies of financial services to GST-registered financial services suppliers (s 20F).
81. Zero-rating is permitted if the level of taxable supplies the recipient makes in a 12-month period is equal to or exceeds 75% of their total taxable supplies for the period (s 11A(1)(q)).
82. Zero-rating is also permitted even if the level of taxable supplies does not meet the 75% threshold, provided the recipient is part of a group that meets the threshold in a 12-month period, or a period acceptable to the Commissioner (s 11A(1)(r)).
Section 11A(1)(r) applies only to recipients that are a group of companies under s IA 6 of the Income Tax Act 2007, rather than specifically to GST groups (although there may be overlap). If a GST group includes other entities, such as a partnership, then s 11A(1)(r) does not apply.

83. Business-to-business elections may be made by the representative member on behalf of the GST group. Paragraph [130] contains more information on GST group elections.

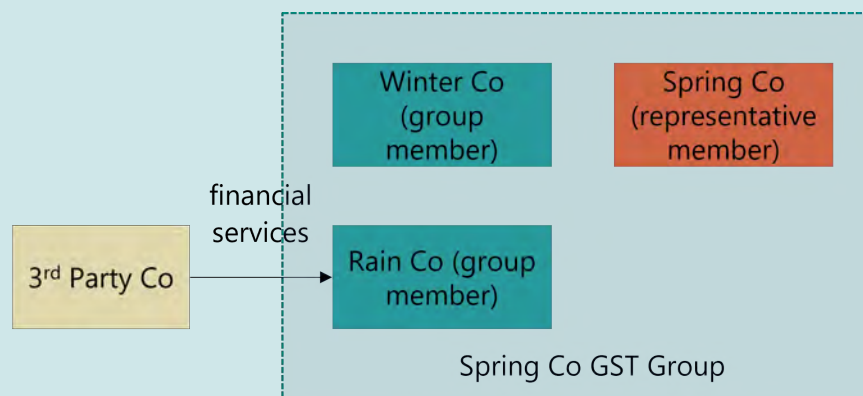
Business-to-business supplies of financial services to a GST group

84. Example | Taura 20 illustrates how the business-to-business regime applies when financial services are supplied to a GST group.

Example | Taura 20 – Financial services supplied to a GST group

3rd Party Co is a financial services provider that has elected into the business-to-business regime under s 20F. It wants to supply financial services to Rain Co.

Rain Co is registered for GST but does not, on its own, meet the 75% threshold required under s 11A(1)(q). However, Rain Co is part of Spring Co GST Group, which does meet the 75% threshold. Spring Co GST Group is also a group of companies under s IA 6 of the Income Tax Act 2007.



The “registered person” in s 11A(1)(r) is the GST group collectively. Therefore, under s 11A(1)(r) the supply can be zero-rated even if Rain Co does not meet the 75% threshold, because Rain Co is part of Spring Co GST Group, which meets the threshold in a 12-month period.

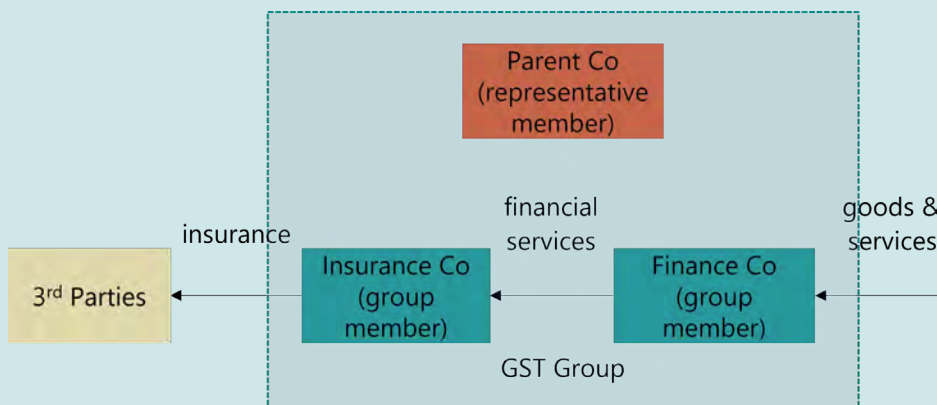
Business-to-business supplies between group members

85. A financial services supplier (known as the “first supplier”) can deduct input tax where it supplies financial services to another financial services supplier (known as the “direct supplier”) under the business-to-business regime (s 20C). The amount of that deduction is determined by the ratio of taxable to non-taxable supplies made by the direct supplier.

86. Where the first supplier and the direct supplier are members of the same GST group, the representative member is treated as both the first supplier and the direct supplier. This is because any exempt supply made by a member of the group is treated as made by the representative member and any supplies made to a member of group are treated as received by the representative member. Therefore, the representative member can deduct a portion of the input tax paid on goods and services acquired from outside the group using an appropriate method. This is illustrated in Example | Taura 21.

Example | Taura 21 – Business-to-business supplies between group members

Finance Co supplies financial services to Insurance Co. Insurance Co then supplies general insurance (40%) and life insurance (60%) to third parties based on the value of supplies made. Both companies have elected into the business-to-business regime under s 20F.



GST Group wants to know whether Parent Co, as the representative member, can deduct input tax on the supply of financial services that Finance Co made to Insurance Co.

Because the group is treated as a single company, all goods and services acquired by Finance Co that are used to make supplies of financial services to Insurance Co are deemed to be acquired by Parent Co as representative member. Similarly, all supplies made by Insurance Co outside of the GST group are deemed to be made by Parent Co as representative member. Therefore, Parent Co can deduct a portion of the input tax paid on goods and services acquired from outside the group using an appropriate method, which in this case may be the 60:40 split between life and general insurance made by Insurance Co. This means Parent Co can claim an input tax deduction of 40% of the input tax paid as those goods and services are used to make taxable supplies. This is on the same basis as in Example | Taura 12, and does not require using s 20C.

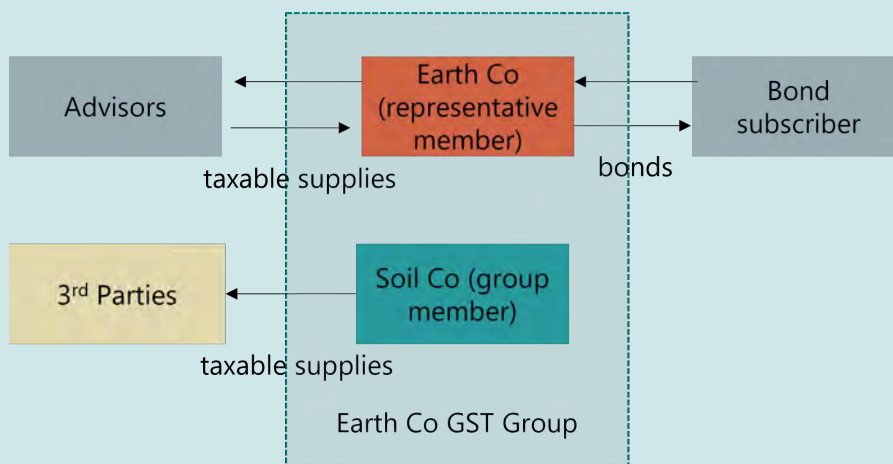
GST on capital-raising costs – section 20H

87. Section 20H permits an input tax deduction on capital-raising costs where the registered person uses the capital raised to fund their taxable activity. The provision applies only to taxpayers who principally make taxable supplies and have not elected into the business-to-business regime.
88. In a grouping context, where a parent or holding company raises finance for the benefit of the GST group, a question arises as to whether a s 20H deduction is available. This is because, in these circumstances, the parent or holding company might not principally make taxable supplies.
89. However, under the GST grouping rules, the “registered person” is interpreted as the GST group as a whole. If the GST group as a whole principally makes taxable supplies, a s 20H deduction can be claimed. Example | Taura 22 illustrates this scenario.

Example | Taura 22 – GST and capital raising costs

Earth Co and Soil Co are members of Earth Co GST Group. Soil Co is the operating company and carries on the taxable activity of earthworks. Earth Co is the holding company and representative member. Earth Co does not make many taxable supplies and effectively operates in a holding and financing role.

Earth Co GST Group needs to raise capital to finance the purchase of new machinery. Earth Co issues a bond and incurs legal and advisory fees.



Earth Co GST Group wants to know whether it can claim a deduction under s 20H for these capital-raising costs. As Earth Co is grouped with Soil Co (which makes taxable supplies), a full s 20H input tax deduction is available. This is because Earth Co, as the

representative member, is treated as making Soil Co's taxable supplies and issuing the bonds.

Therefore, by treating the group as if it were a single company, Earth Co can claim the s 20H input tax deduction for its capital-raising costs because the group as a whole principally makes taxable supplies.

This outcome is consistent with the single taxable company approach. It also aligns group treatment with the treatment that occurs under a branch structure.

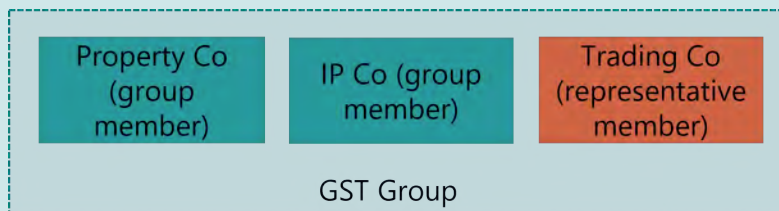
Sale of a business by a GST group

90. Some supplies of land must be zero-rated. Section 11(1)(mb) provides that a supply that wholly or partly consists of land must be zero-rated if at settlement date:
- the supply is made by a registered person to a purchaser who is a registered person;
 - the purchaser acquires the goods (including land) with the intention of using them for making taxable supplies; and
 - the land included in the supply is not intended to be used as the purchaser's principal place of residence or the principal place of residence of a relative.
91. If s 11(1)(mb) applies, the supply must be zero-rated, whether the land is the dominant element of the supply or not.
92. Example | Taurira 23 describes the GST treatment where members of a GST group sell their respective parts of a business to a single GST-registered purchaser, and one of those parts includes land. The Commissioner has been asked whether the GST grouping rules would operate to merge these single supplies into one composite, zero-rated supply.
93. The Commissioner considers that whether the supplies are a single, zero-rated composite supply or three separate supplies (of which only the supply of land is zero-rated) will depend on the terms of the contract and the true and substantial nature of what is being supplied. For a more detailed consideration of this issue, see [IS 18/04: Goods and Services Tax – single supply or multiple supply](#).

Example | Tauria 23 – Sale of a business by a GST group

Three members of GST Group enter into three separate agreements to dispose of business assets to a GST-registered purchaser. Property Co is selling an interest in land, IP Co is selling intellectual property and Trading Co is selling stock and plant. Together, these assets are not sufficient to qualify as a zero-rated transfer of a going concern as there is not a supply of a taxable activity that is capable of separate operation (s 2).

Under the GST grouping rules, taxable supplies made by group members are treated as made by the representative member. GST Group wants to know whether this means there is a single supply by the representative member that includes land, so that the entire transaction must be zero-rated.



Trading Co, as the representative member, is treated as making all the separate supplies but they are not merged into a single, zero-rated, composite supply.

The GST treatment will depend on the terms of the contracts and the true and substantial nature of what is being supplied. In this example, it is likely that the three supplies would be seen as three separate supplies so the zero-rated sale of land by Property Co would not affect the GST treatment of the supply of the other assets. However, if more of the factors identified in [IS 18/04](#) as supporting a single composite supply were present, then the supplies may be treated as a single, zero-rated, composite supply. Alternatively, the sale assets might be first transferred to one company in the group (and ignored as intra-group taxable supplies) before being sold outside the group as a single composite supply.

Part 5: Compliance and administration

94. This part discusses the compliance and administrative requirements for GST groups.
- Applying to be a GST group (from [95]).
 - The role of the representative member (from [98]).

- Accounting basis and taxable periods (from [104]).
- Taxable supply information and supply correction information (from [113]).
- Membership changes (from [119]).
- Elections, notices and land statements (from [130]).
- Joint and several liability (from [135]).
- Cancelling a GST group (at [146]).

Applying to be a GST group

95. Two or more companies can apply to the Commissioner to register as a GST group if they meet the eligibility requirements discussed in [Part 2](#).
96. Applications must be made by the company that has been nominated as the representative member of the intended GST group. The representative member can apply through myIR or by using the form *Goods and services tax application for group registration* (IR 374). Details on how to apply for GST group registration can be found on the Inland Revenue website: [Register for GST as a group \(ird.govt.nz\)](https://ird.govt.nz/register-for-gst-as-a-group).
97. If the Commissioner is satisfied the companies are eligible to be a GST group, the GST group will start from the beginning of a taxable period determined by the Commissioner (s 55(2)).

The role of the representative member

98. Where two or more companies apply to register as a GST group, they must nominate one of the companies as the representative member. This company must be GST-registered (s 55(3)).
99. The role of the representative member is central to the operation of a GST group. The representative member is treated as carrying on all activities that are carried on by group members. It is treated as making all supplies of goods or services made by members of the GST group to persons outside the group, and it is treated as receiving all supplies of goods or services made to members of the GST group from persons outside the GST group.
100. The representative member is treated as paying all tax that a member of the GST group pays (s 55(1A)(b)). The representative member is also responsible for paying the tax payable by the members of the GST group to the Commissioner, subject to the joint and several liability obligations discussed from [135].

101. The representative member is responsible for filing GST returns for the GST group (s 55(1AL)(a)). It completes the group GST return using a standard GST return. The representative member files the return in its name, using its own registration number (no separate registration number is assigned to the GST group).
102. In addition, the representative member is responsible for keeping all records required by the GSTA (s 55(1AL)(a)). However, it shares this responsibility with the other group members (see from [137]).
103. The representative member is also responsible for:
 - issuing taxable supply information and supply correction information for group members in some situations (see from [113]);
 - applying to the Commissioner to alter the membership of a GST group (see from [119]); and
 - making any elections on behalf of the GST group (see from [130]).

Accounting basis and taxable periods

104. When companies apply to be a GST group, they must choose a group accounting basis and a group taxable period. Once grouped, all members of the GST group use the chosen accounting basis and taxable period (s 55(1AK)).

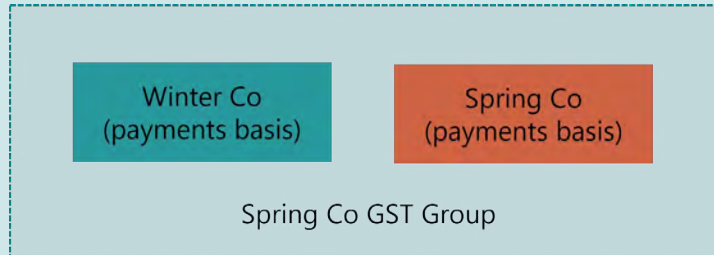
Accounting basis

105. Companies can account for GST using the invoice basis, the payments basis or the hybrid basis (s 19). In a grouping context, whether a group is eligible to use an accounting basis depends on the total value of all taxable supplies that the GST group is likely to make for the next 12 months, as if the group were a single company. This includes supplies unregistered members of the GST group are likely to make, if those supplies would be taxable if made by a registered person. This is because the representative member, as a registered person, is treated as making those supplies (discussed from [21]).
106. Once a GST group has chosen its group accounting basis, the representative member must record it in the GST group registration form (IR 374) or in the representative member's myIR account. If the chosen group accounting basis would require a change for a particular member, the Commissioner will contact that member and they may need to file a final wash-up return for the taxable period immediately before the

members form the GST group. Example | Taura 24 illustrates how a GST group chooses an accounting basis.

Example | Taura 24 – Choosing an accounting basis

Before forming Spring Co GST Group, Winter Co and Spring Co each accounted for GST on a payments basis.



Winter Co estimates its total taxable supplies for the next 12 months are likely to be \$1.5 million. Spring Co estimates that its total taxable supplies for the next 12 months are likely to be \$1 million.

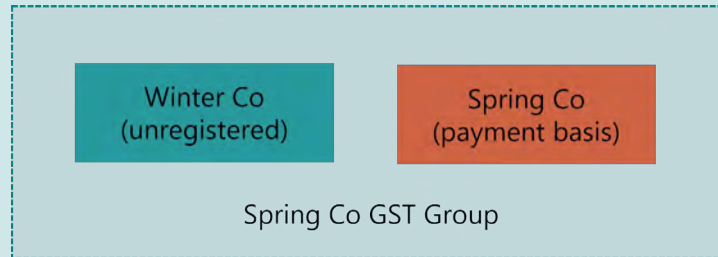
Combined, Winter Co and Spring Co's total taxable supplies for the next 12 months are likely to exceed \$2 million. This means once they form Spring Co GST Group, the group would not be eligible to account for GST on a payments basis unless it successfully applies to the Commissioner for permission to do so.

For this reason, Spring Co and Winter Co decide that Spring Co GST Group should use the invoice basis.

107. Example | Taura 25 illustrates how a GST group chooses an accounting basis when a group member is unregistered.

Example | Taura 25 – Choosing an accounting basis where a company is not GST-registered

Winter Co and Spring Co want to form a GST group. Spring Co is GST-registered and accounts for GST on a payments basis. Winter Co is not registered for GST because it does not meet the threshold for GST registration.



Winter Co estimates that, if it was GST-registered, its total taxable supplies for the next 12 months would likely be \$50,000. Spring Co estimates that its total taxable supplies for the next 12 months are likely to be \$1 million.

Combined, Winter Co and Spring Co's total taxable supplies for the next 12 months are not likely to exceed \$2 million. This means Spring Co GST Group is eligible to account for GST on a payments basis.

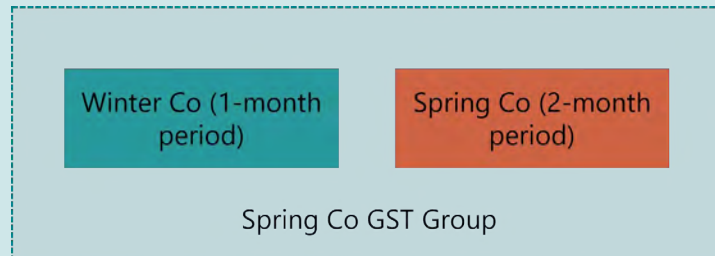
Spring Co and Winter Co decide that Spring Co GST Group should use the payments basis when accounting for GST.

Taxable periods

108. In a grouping context, eligibility to use a particular taxable period is based on the total value of all taxable supplies likely to be made by the GST group for the next 12 months, as if the group were a single company. This includes supplies unregistered members of the GST group are likely to make, if those supplies would be taxable if made by a registered person. This is because the representative member, as a registered person, is treated as making those supplies (s 55(1AD) and discussed from [21]).
109. Once a GST group has chosen a taxable period, it needs to confirm this in the GST group registration form (IR 374) or in the representative member's myIR account. If the selected taxable period requires a change for a particular member, the Commissioner will contact that member and they may need to file a final return or part return for the taxable period immediately before the members form the GST group. Example | Tairua 26 illustrates how a GST group chooses a taxable period.

Example | Taura 26 – Choosing a taxable period

Before forming Spring Co GST Group, Winter Co had a 1-month taxable period and Spring Co had a 2-month taxable period.



When the companies applied to the Commissioner to form Spring Co GST Group, they chose to file their GST returns on a 2-monthly basis. They could have chosen a 1-month taxable period under s 15(3). The companies could not have chosen a 6-month taxable period because collectively the GST group was expected to make taxable supplies of more than \$500,000 in the next 12 months.

Distantly taxable goods or remote services

110. A non-resident supplier must use a 3-month taxable period if the only supplies they make are supplies of distantly taxable goods or remote services (ss 15(6) and 8(3)(c)). Therefore, if all members of a GST group are non-resident suppliers who only make supplies of distantly taxable goods or remote services, the GST group must use a 3-month taxable period.
111. However, a non-resident supplier who only makes supplies of distantly taxable goods or remote services may still form a GST group with a New Zealand–resident company or with other non-resident companies that do not only make supplies of distantly taxable goods or remote services. This is because s 15(6) applies to distantly taxable goods or remote services suppliers whose **only** supplies are supplies of distantly taxable goods or remote services. As the GST group collectively makes other supplies in addition to supplies of distantly taxable goods or remote services, it cannot use the 3-month taxable period. This approach is consistent with the GST group operating as a single company (s 55(1AB)).
112. Example | Taura 27 illustrates how a GST group chooses a taxable period where a group member makes supplies of remote services.

Example | Tauria 27 – Taxable periods when a group member only makes supplies of remote services

Fog Co is an Australian-resident company, a subsidiary of Spring Co and a remote services supplier. It provides consultancy services to Spring Co GST Group. Spring Co GST Group has a 2-month taxable period. Fog Co (as a remote services supplier) has a 3-month taxable period. The group wants Fog Co to join Spring Co GST Group.




Section 55(1AK) requires all companies in Spring Co GST Group to have the same taxable period. As Fog Co will be part of Spring Co GST Group, and as the group collectively will make supplies in addition to Fog Co’s supplies of remote services, s 15(6) does not apply. Therefore, Fog Co can join Spring Co GST group and must use a 2-month taxable period.

Taxable supply information and supply correction information

113. Section 55(1AM) permits a GST group to choose who issues and retains taxable supply information and supply correction information for a taxable supply. The GST group can choose to issue this information in the name of:
- the representative member; or
 - the group member who actually makes the supply (known as the “active member”); or
 - another group member (known as the “issuing member”).
114. If the GST group nominates an issuing member, the representative member must notify the Commissioner of the issuing member’s identity and role (s 55(1AM)(b)(ii)).

115. The representative member, the issuing member or the active member must meet the requirements of ss 19J and 19L (s 55(1AN)). Under s 19L, taxable supply information must include the name and registration number of the supplier or the representative member and any other information that would be required if the supplier were not a member of a GST group. The taxable supply information is treated as provided by the issuing member or, if there is no issuing member, by the representative member.
116. Where a group member has issued taxable supply information or supply correction information, that group member must keep a record of the supply. That record must include the name, address and registration number (if registered) of the active member (s 19J).
117. Example | Taura 28 illustrates how a GST group issues taxable supply information.

Example | Taura 28 – Taxable supply information



The diagram shows a dashed box labeled 'Spring Co GST Group' containing three boxes: 'Frost Co (group member)' in teal, 'Winter Co (group member)' in teal, and 'Spring Co (representative member)' in orange.

Spring Co GST Group nominates Frost Co as the group’s issuing member. Spring Co, as representative member, must notify the Commissioner of this decision (s 55(1AM)). Frost Co is then responsible for issuing and retaining all taxable supply information and supply correction information for the Spring Co GST Group’s taxable supplies.

Frost Co ensures that all taxable supply information contains the name and registration number of Spring Co, as the representative member. Frost Co also keeps a record of each supply, including the name, address and registration number of the group member that makes the supply.

118. If taxable supply information or supply correction information is provided to a group member, that information is treated as provided to the representative member.

Membership changes

119. The representative member must apply to the Commissioner to make changes to the GST group’s membership (s 55(4), (4AA), (4A) and (5)). It can make all applications through myIR. Unless otherwise specified, all eligible applications are granted from the beginning of the taxable period determined by the Commissioner.

Adding a member

120. The representative member must apply to the Commissioner to add a company to the GST group (s 55(4)(a)).
121. If the company is eligible to join the GST group, the application will be granted from the beginning of the taxable period determined by the Commissioner. However, if the company was incorporated less than 12 months before the date of application, and the company was eligible to be a member of the GST group when it was incorporated, the representative member may choose as the start date either the date of incorporation, or the start of the taxable period following the date of incorporation (s 55(4AA)).

Removing a member

122. The representative member must also apply to the Commissioner to remove a company from the GST group (s 55(4)(b)). If the removed company was GST-registered before joining the GST group, it will need to start filing its own GST returns and paying GST. The removed company may still be liable for any GST due while it was a member of the GST group (see [135]).
123. If the removed company is no longer eligible to use the GST group accounting basis and taxable period, it will need to choose a new accounting basis and taxable period.

Termination of membership because a company is no longer eligible

124. Where a company is no longer eligible to be a member of a GST group, that company or the representative member must notify the Commissioner of this status within 21 days (ss 53(1)(d) and 55(5)(a)).
125. The Commissioner may also terminate a company's GST group membership if the Commissioner is satisfied the company is no longer eligible to be part of the GST group (s 55(5)(b)).
126. In both situations, the company's GST group membership will be terminated from a date that the Commissioner specifies in a notice to the company or the representative member. This will usually be at the end of the taxable period in which the company ceased to be eligible. The terminated company may still be liable for any GST due while it was a member of the GST group (see [135]).
127. If the terminated company is no longer eligible to use the GST group accounting basis and taxable period, it will need to choose a new accounting basis and taxable period.

Appointing a new representative member

128. If a GST group wants to appoint a new representative member, the representative member must apply to the Commissioner to remove itself and to nominate another company as representative member (s 55(4)(c)).

Specified agents do not affect membership

129. The appointment of a specified agent does not affect the membership of a GST group (s 55(4A)). This means the incapacitated company continues to be a member of the GST group throughout the agency period.

Elections, notices and land statements

Elections

130. The representative member is responsible for making any elections required under the GSTA, on behalf of the GST group (s 55(1AL)(a) and (1AB)(a)(iii)). An election made on behalf of the GST group applies to all group members, while those members remain in the GST group. However, if a group member leaves a GST group, the election will no longer apply to the exiting member, unless the original election specified that is also applied to the member individually.

Notices

131. Any notices that are served under the GSTA and addressed to the representative member are treated as served on the representative member and on all members of the GST group (s 55(6)). The representative member is also responsible for serving any notices required under the GSTA on behalf of the GST group.

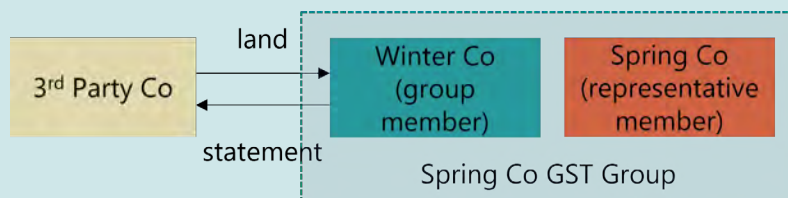
Land statements

132. The disclosure requirements for zero-rating land transactions are in s 78F. Section 78F requires a recipient of a supply of land to provide certain information to the supplier to enable the supplier to determine whether the supply should be zero-rated. The supplier may then rely on that information to determine the tax treatment of the supply. The recipient must provide the information in a written statement to the supplier. That statement must explain whether, at the date of settlement, the recipient:

- is, or expects to be, a registered person;
 - is acquiring the goods with the intention of using them for making taxable supplies; and
 - does not intend to use the land as a principal place of residence (or an associated person does not intend to use the land in this way).
133. Section 55(1A) states that information provided to or by a member of the GST group under s 78F is provided to or by the representative member.
134. The company buying or selling the land is obviously the entity that must provide or receive the s 78F statement. However, without s 55(1A), the rules might have suggested that, because the representative member is treated as making or receiving the supply of land, the representative member must also provide or receive the s 78F statement. Section 55(1A) clarifies that it is the company buying or selling the land that must provide or receive the s 78F statement. However, under the GST grouping rules, the representative member is treated as providing or receiving that statement. Example | Taura 29 illustrates this situation.

Example | Taura 29 – Land statements

Winter Co purchases land from 3rd Party Co, an unrelated company. Under s 78F, Winter Co must provide 3rd Party Co with a disclosure statement at the date of settlement (covering the factors set out in s 78F), so 3rd Party Co can determine the correct tax treatment of the supply of land.



Under s 78F, Winter Co must provide the disclosure statement to 3rd Party Co. However, under s 55(1A), Spring Co, as the representative member, is treated as providing that statement.

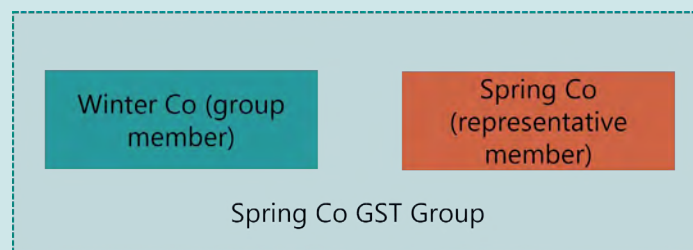
Joint and several liability

135. A company that is, or has been, a member of the GST group is jointly and severally liable with the other members of the GST group for all tax payable and not paid by the

representative member for each taxable period or part of a taxable period in which the company was part of the GST group (s 55(1AO)(a)).

136. Therefore, even though the representative member is considered to carry on the taxable activities of the group members, all group members share liability for any tax payable. In this way, s 55(1AO)(a) exposes a group member to liability beyond what they would otherwise be exposed to if they were not part of a GST group.
137. All group members remain responsible and liable for complying with:
- s 25 (adjustments for inaccuracies);
 - s 75 (record-keeping) – for the activities of the member while part of the GST group; and
 - Part 8 (registration) of the GSTA, if the company is a registered person when it was a member of the GST group (s 55(1AO)(b)).
138. These responsibilities are not affected by the company ceasing to be part of the GST group or by a representative member ceasing to exist (s 55(1AQ)). However, they may be relieved by the Commissioner (see from [143]).
139. Example | Taura 30 illustrates how joint and several liability applies where a representative member is in liquidation.

Example | Taura 30 – Joint and several liability where a representative member is in liquidation



Spring Co goes into liquidation without filing the latest group GST return for Spring Co GST Group. The GST group owes Inland Revenue \$5,000. As Spring Co does not have enough funds to pay its share, Winter Co must pay the amount owing. This is because, under s 55(1AO)(a), Winter Co is jointly and severally liable for any tax payable and not paid by the representative member.

140. Example | Taura 31 illustrates how joint and several liability applies where a company leaves the GST group.

Example | Taura 31 – Joint and several liability where a company leaves the GST group



Frost Co leaves Spring Co GST Group at the end of March. In June, a calculation error is uncovered with the GST group’s March GST return, with the result that an additional \$5,000 of tax is payable. Spring Co contacts Frost Co and asks it to pay its share of the outstanding tax. Spring Co reminds Frost Co that it remains jointly and severally liable with Spring Co and Winter Co for all tax payable by the representative member for the taxable periods in which Frost Co was a member of Spring Co GST Group.

141. Example | Taura 32 illustrates the responsibilities of group members when a group member decides to change its trading name.

Example | Taura 32 – Responsibilities of group members when a member changes its trading name



Winter Co decides to change its trading name to Water Co. Winter Co asks Spring Co, as the representative member, to notify the Commissioner of this change.

Section 53(2) (in Part 8 of the GSTA) sets out the requirements for notifying the Commissioner of a trading name change. While Spring Co, as representative member, is treated as carrying on Winter Co’s taxable activity, s 55(1AO)(b)(iii) means s 53(2) still applies to Winter Co as if it were not part of a GST group. Therefore, Winter Co must apply to the Commissioner to change its trading name.

142. Example | Taura 33 illustrates the responsibilities of group members where a group member decides to cease trading.

Example | Tauria 33 – Responsibilities of group members where a member ceases trading



Winter Co decides to cease trading. Therefore, it will be leaving Spring Co GST Group and will need to cancel its GST registration. Winter Co asks Spring Co, as representative member, to notify the Commissioner of this decision.

Spring Co, as representative member, is responsible for notifying the Commissioner that Winter Co has left Spring Co GST Group (s 55(4)). However, Winter Co also has notification responsibilities. Under s 53(1)(d), Winter Co has 21 days to notify the Commissioner that it is no longer eligible to be a member of a group. Section 53(1)(d) (which is in Part 8 of the GSTA) applies to Winter Co as if it were not part of a GST group.

Relief from joint and several liability – exiting companies

143. Where a company leaves a GST group, the Commissioner may relieve that exiting company from joint and several liability for tax payable by the GST group if:

- The Commissioner makes an assessment for a taxable period while the company was still a member of the GST group.
- That assessment is made after the later of:
 - the date the company leaves the GST group, or
 - the date of the event that results in the company being treated as having left the group.
- The amount assessed is more than an earlier assessment of the GST group for that taxable period or part of the taxable period.
- The Commissioner considers the removal of joint and several liability will not significantly prejudice the recovery, or likely recovery, of the amount assessed and has notified the company and the representative member of this conclusion (s 55(1AP) and (1AQ)).

144. If the Commissioner relieves an exiting company from joint and several liability, that company is relieved from all reassessments of GST for all taxable periods when the company was part of the GST group. However, an exiting company will remain liable for any GST assessment or reassessment made before it exits the GST group.
145. Example | Taura 34 illustrates how the Commissioner may relieve an exiting company from joint and several liability.

Example | Taura 34 – Relief from joint and several liability for an exiting company



Spring Co GST Group was formed in 2020 with Frost Co, Winter Co, and Spring Co. On 31 May 2023, Frost Co is sold and Spring Co GST Group gets approval from the Commissioner under s 55(1AP) to remove Frost Co's joint and several liability.

Frost Co's GST joint and several liability is removed for any assessment of the Spring Co GST Group made after Frost Co exits the group, where that assessment increases the GST liability of the group for any taxable period from 2020 (when the GST group was formed) until Frost Co is sold out of the group.

However, Frost Co's joint and several liability remains for GST assessments made before Frost Co left the Spring Co GST Group.

This example is based on Example 131 in *Tax Information Bulletin* Vol 34, No 5 (June 2022): 3.

Canceling a GST group

146. The representative member must apply to the Commissioner to cancel a GST group (s 55(4)(d)). This application will be granted from the beginning of the taxable period determined by the Commissioner.

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[IS 24/03: GST – Who can group register?](#)

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