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Infrastructure Funding and Financing Act 2020

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The Goods and Services Tax Act 1985 has been amended to ensure that the levy a person is liable to pay to a responsible levy authority (as defined in the Infrastructure Funding and Financing Act 2020) is treated as consideration for a supply of goods and services and is therefore subject to GST.

GST treatment of the levy payable

Section 5(7F) of the Goods and Services Tax Act 1985

Background

The Infrastructure Funding and Financing Act 2020 (“the Act”) introduces a new funding and financing model to support the provision of infrastructure for housing and urban development. The Act allows for the use of a multi-year levy to fund eligible infrastructure which is to be paid by the beneficiaries of the infrastructure projects over the relevant period. The Act amends the Goods and Services Tax Act 1985 to make the GST treatment of the levy clear.

Key features

The levies will be authorised by Order in Council, and are collected by the **responsible levy authority** (such as a local authority) on behalf of the **responsible Special Purpose Vehicle (SPV)**.¹ A responsible SPV is the entity that has responsibility for the financing and construction of the relevant infrastructure assets.

New section 5(7F) of the Goods and Services Tax Act 1985 provides that where a person is liable to pay a levy to a responsible SPV, that levy is treated as consideration for a supply of goods and services by the responsible SPV to the person. The effect of this is that the levy is subject to GST under section 8 of the Goods and Services Tax Act 1985.

The amendment ensures that the GST treatment of the levy is consistent with the GST treatment of rates and development contributions which are paid to local authorities,² and which are also used to fund the development of housing and urban development infrastructure.

¹ The terms in **bold** are defined in section 7 of the Infrastructure Funding and Financing Act 2020.

² See sections 5(7), 5(7C) and 5(7D) of the Goods and Services Tax Act 1985.

Application date

The amendment came into force on 6 August 2020. This is the date that the Infrastructure Funding and Financing Act 2020 received the Royal assent.

References

Legislative References

Infrastructure Funding and Financing Act 2020: section 155 and Schedule 2

Goods and Services Tax Act 1985, section 5(7F)

About this document

New legislation articles provide an explanation of the changes made in recently enacted tax-related legislation including acts, general and remedial amendments, and Orders in Council.