

GST – Directors’ fees and board members’ fees

Issued | Tukuna: 6 August 2026

BR Pub 26/01 – 26/03

These three Public Rulings and Commentary explain the GST treatment of:

- directors’ fees;
- board members’ fees; and
- board members’ fees where the board member is appointed by the Governor-General or the Governor-General in Council.

START DATE - END DATE | RĀ TĪMATA - RĀ MUTUNGA

These Rulings will apply for an indefinite period beginning on 7 August 2026

REPLACES | WHAKAKAPIA

This is a reissue of:

- [Public Ruling BR Pub 23/01](#): Goods and services tax – Directors’ fees
Tax Information Bulletin Vol 35, No 3 (April 2023): 15;
- [Public Ruling BR Pub 23/02](#): Goods and services tax – Fees of board members not appointed by the Governor-General or Governor-General in Council
Tax Information Bulletin Vol 35, No 3 (April 2023): 18; and
- [Public Ruling BR Pub 23/03](#): Goods and services tax – Fees of board members appointed by the Governor-General or Governor-General in Council
Tax Information Bulletin Vol 35, No 3 (April 2023): 21.

For more information about these earlier Public Rulings, see the [Commentary](#).

Public Ruling BR Pub 26/01: GST – Directors’ fees

This is a Public Ruling made under s 91D of the Tax Administration Act 1994.

Taxation Laws | Ture Tāke

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

This Ruling applies in respect of ss 6(3)(b), 6(4), 6(5), 8, 20, and 57(2)(b).

The Arrangement to which this Ruling applies | Te Whakaritenga i pāngia e tēnei Whakataunga

The arrangement is the engagement, occupation or employment of a person as a director of a company.

The engagement may be:

- by direct contract between the director and the company; or
- under an agreement between the company and:
 - a third party;
 - the director’s employer; or
 - a partnership in which the director is a partner.

How the Taxation Laws apply to the Arrangement | Ko te pānga o ngā Ture Tāke ki te Whakaritenga

The director contracts directly with the company

If the director contracts directly with the company and **has not accepted** the office in carrying on their taxable activity, the following outcomes occur:

- The engagement is excluded from the definition of “taxable activity” under s 6(3)(b). Section 6(5) does not apply because the director did not accept the office in carrying on their taxable activity.
- The company cannot claim an input tax deduction for any directors’ fees paid to the director because the director does not charge GST on the supply of their services to the company.

If the director contracts directly with the company and **accepts** the office in carrying on their taxable activity, the following outcomes occur:

- The engagement is not excluded from the definition of taxable activity under s 6(3)(b), as s 6(5) applies. Under s 6(5), the director's services are treated as supplied in the course or furtherance of their taxable activity. If the director is registered or liable to be registered for GST, they must account for GST charged on the fees received from the company for the supply of their services.
- If the company is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the director charged on the supply of their services to the company, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

The director is contracted by a third party to the company

If a third party contracts with the company to supply the director's services and the director **accepts the office, but not as part of carrying on their taxable activity**, the following outcomes occur:

- The director's engagement is excluded from the definition of taxable activity under s 6(3)(b). Section 6(5) does not apply because the director did not accept the office in carrying on their taxable activity.
- Section 6(3)(b) does not apply to the third party's supply of the director's services to the company because the third party is not engaged as a director of the company. If the third party is registered or liable to be registered for GST, they must account for GST charged on the supply of the director's services to the company.
- If the company is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the third party charged on the supply of the director's services to the company, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

If a third party contracts with the company to supply the director's services and the director **accepts the office in carrying on their taxable activity**, the following outcomes occur:

- The director's engagement is not excluded from the definition of taxable activity under s 6(3)(b), as s 6(5) applies. Under s 6(5), the director's services are treated as supplied in the course or furtherance of their taxable activity.
- Two supplies are relevant. First, the director supplies their services to the third party; and second, the third party supplies the director's services to the company.
- Where the director supplies their services to the third party:
 - the director must account for GST charged on the supply of their services to the third party; and

- if the third party is carrying on a taxable activity and is registered for GST, they can claim an input tax deduction under s 20(3) for any GST the director charged on the supply of their services, provided the other requirements in the Act, such as those in s 20(2), are satisfied.
- Where the third party supplies the director's services to the company, the following outcomes occur:
 - Section 6(3)(b) does not apply to the third party's supply of the director's services to the company because the third party is not engaged as a director of the company. If the third party is registered or liable to be registered for GST, they must account for GST charged on the supply of the director's services.
 - If the company is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the third party charged on the supply of the director's services, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

The director is contracted by their employer to the company

If the director, as part of their employment, is engaged as a director of the company under a contract between their employer and the company, the following outcomes occur:

- The director's engagement is excluded from the definition of taxable activity under s 6(3)(b). Section 6(5) does not apply because the director did not accept the office in carrying on their taxable activity. The director accepted the office as part of their employment with the employer.
- Section 6(3)(b) does not apply to the employer's supply of the director's services to the company because the employer is not engaged as a director of the company. If the employer is registered or liable to be registered for GST, they must account for GST charged on the supply of the director's services.
- If the company is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the employer charged on the supply of the director's services, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

The director contracts directly with the company and is an employee who must pay their fees to their employer

If the director is engaged by the company and:

- the director is an employee who must pay the directors' fees received from the company to their employer;
- there is no contract between the company and the employer; and
- the director has not accepted the office in carrying on their taxable activity; then

the following outcomes occur:

- The director's engagement is excluded from the definition of taxable activity under s 6(3)(b). Section 6(5) does not apply because the director did not accept the office in carrying on their taxable activity. The director accepted the office in the course of their employment with their employer.
- Under s 6(4), any directors' fees the company pays to the director (and the director pays to their employer) are treated as consideration for a supply of services by the employer to the company. If the employer is registered or liable to be registered for GST, they must account for GST charged on this deemed supply.
- If the company is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the employer charged on the deemed supply, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

The director is contracted to the company, and is a partner who must pay their fees to the partnership

If the director is a partner in a partnership and:

- accepts the office of director of the company as part of the partnership's taxable activity; and
- must pay their directors' fees received from the company to the partnership; then,

the following outcomes occur:

- The director's engagement is excluded from the definition of taxable activity under s 6(3)(b). Section 6(5) does not apply because, although the director may be carrying on the taxable activity of the partnership, the services are treated as supplied by the partnership under s 57(2)(b) and not by the individual partner.
- Section 6(3)(b) does not apply to the partnership's supply of the director's services to the company because the partnership is not engaged as a director of the company. If the partnership is registered or liable to be registered for GST, it must account for GST charged on the supply of the director's services.
- If the company is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the partnership charged on the supply of the director's services, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

The period for which this Ruling applies | Ko te wā i pāngia e tēnei Whakataunga

This Ruling applies for an indefinite period beginning on 7 August 2026.

This Ruling is signed by me on 6 August 2026.

Grant Haley

Tax Counsel Lead | Rōia Kaihautū Tāke

Tax Counsel Office | Te Tari Tohutohu Tāke

Public Ruling BR Pub 26/02: GST – Board members’ fees

This is a Public Ruling made under s 91D of the Tax Administration Act 1994.

Taxation Laws | Ture Tāke

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

This Ruling applies in respect of ss 6(3)(c)(iii), 6(4), 6(5), 8, 20, and 57(2)(b).

The Arrangement to which this Ruling applies | Te Whakaritenga i pāngia e tēnei Whakataunga

The Arrangement is the engagement, occupation or employment of a person as a chairperson or member (the board member) of a local authority, board, council, committee or other body (the organisation).

The engagement may be:

- by direct contract between the board member and the organisation; or
- under an agreement between the organisation and:
 - a third party;
 - the board member’s employer; or
 - a partnership in which the board member is a partner.

The Arrangement does not include the engagement, occupation or employment of a person as a chairperson or board member of an organisation if that board member was appointed by the Governor-General or the Governor-General in Council.

How the Taxation Laws apply to the Arrangement | Ko te pānga o ngā Ture Tāke ki te Whakaritenga

The board member contracts directly with the organisation

If the board member contracts directly with the organisation and **has not accepted** the office in carrying on their taxable activity, the following outcomes occur:

- The engagement is excluded from the definition of “taxable activity” under s 6(3)(c)(iii). Section 6(5) does not apply because the board member did not accept the office in carrying on their taxable activity.

- The organisation cannot claim an input tax deduction for any board members' fees paid to the board member because the board member does not charge GST on the supply of their services to the organisation.

If the board member contracts directly with the organisation and **accepts** the office in carrying on their taxable activity, the following outcomes occur:

- The engagement is not excluded from the definition of taxable activity under s 6(3)(c)(ii), as s 6(5) applies. Under s 6(5), the board member's services are treated as supplied in the course or furtherance of their taxable activity. If the board member is registered or liable to be registered for GST, they must account for GST charged on the fees received from the organisation for the supply of their services.
- If the organisation is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the board member charged on the supply of their services to the organisation, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

The board member is contracted by a third party to the organisation

If a third party contracts with the organisation to supply the board member's services and the board member **accepts the office, but not as part of carrying on their taxable activity**, the following outcomes occur:

- The board member's engagement is excluded from the definition of taxable activity under s 6(3)(c)(iii). Section 6(5) does not apply because the board member did not accept the office in carrying on their taxable activity.
- Section 6(3)(c)(iii) does not apply to the third party's supply of the board member's services to the organisation because the third party is not engaged as a board member of the organisation. If the third party is registered or liable to be registered for GST, they must account for GST charged on the supply of the board member's services to the organisation.
- If the organisation is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the third party charged on the supply of the board member's services to the organisation, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

If a third party contracts with the organisation to supply the board member's services and the board member **accepts the office in carrying on their taxable activity**, the following outcomes occur:

- The board member's engagement is not excluded from the definition of taxable activity under s 6(3)(c)(iii), as s 6(5) applies. Under s 6(5), the board member's services are treated as supplied in the course or furtherance of their taxable activity.

- Two supplies are relevant. First, the board member supplies their services to the third party; and second, the third party supplies the board member's services to the company.
- Where the board member supplies their services to the third party:
 - the board member must account for GST charged on the supply of their services to the third party; and
 - if the third party is carrying on a taxable activity and is registered for GST, they can claim an input tax deduction under s 20(3) for any GST the board member charged on the supply of their services, provided the other requirements in the Act, such as those in s 20(2), are satisfied.
- Where the third party supplies the board member's services to the organisation, the following outcomes occur:
 - Section 6(3)(c)(iii) does not apply to the third party's supply of the board member's services to the organisation because the third party is not engaged as a board member of the organisation. If the third party is registered or liable to be registered for GST, they must account for GST charged on the supply of the board member's services.
 - If the organisation is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the third party charged on the supply of the board member's services, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

The board member is contracted by their employer to the organisation

If the board member, as part of their employment, is engaged as a board member of the organisation under a contract between their employer and the organisation, the following outcomes occur:

- The board member's engagement is excluded from the definition of taxable activity under s 6(3)(c)(iii). Section 6(5) does not apply because the board member did not accept the office in carrying on their taxable activity. The board member accepted the office as part of their employment with their employer.
- Section 6(3)(c)(iii) does not apply to the employer's supply of the board member's services to the organisation because the employer is not engaged as a board member of the organisation. If the employer is registered or liable to be registered for GST, they must account for GST charged on the supply of the board member's services.
- If the organisation is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the employer charged on the supply of the board member's services, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

The board member contracts directly with the organisation and is an employee who must pay their fees to their employer

If the board member is engaged by the organisation and:

- the board member is an employee who must pay their fees received from the organisation to their employer;
- there is no contract between the organisation and the employer; and
- the board member has not accepted the office in carrying on their taxable activity; then

the following outcomes occur:

- The board member's engagement is excluded from the definition of taxable activity under s 6(3)(c)(iii). Section 6(5) does not apply because the board member did not accept the office in carrying on their taxable activity. The board member accepted the office in the course of their employment with their employer.
- Under s 6(4), any board members' fees the organisation pays to the board member (and the board member pays to their employer) are treated as consideration for a supply of services by the employer to the organisation. If the employer is registered or liable to be registered for GST, they must account for GST charged on this deemed supply.
- If the organisation is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the employer charged on the deemed supply, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

The board member is contracted to the organisation, and is a partner who must pay their fees to the partnership

If the board member is a partner in a partnership and:

- accepts the office of board member of an organisation as part of the partnership's taxable activity; and
- must pay their board members' fees received from the organisation to the partnership; then

the following outcomes occur:

- The board member's engagement as board member of the organisation is excluded from the definition of taxable activity under s 6(3)(c)(iii). Section 6(5) does not apply because, although the board member may be carrying on the taxable activity of the partnership, the services are treated as supplied by the partnership under s 57(2)(b) and not by the individual partner.

- Section 6(3)(c)(iii) does not apply to the partnership's supply of the board member's services to the organisation because the partnership is not engaged as a board member of the organisation. If the partnership is registered or liable to be registered for GST, it must account for GST charged on the supply of the board member's services to the organisation.
- If the organisation is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the partnership charged on the supply of the board member's services, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

The period for which this Ruling applies | Ko te wā i pāngia e tēnei Whakataunga

This Ruling applies for an indefinite period beginning on 7 August 2026.

This Ruling is signed by me on 6 August 2026.

Grant Haley

Tax Counsel Lead | Rōia Kaihautū Tāke

Tax Counsel Office | Te Tari Tohutohu Tāke

Public Ruling BR Pub 26/03: GST – Board members’ fees – where the member is appointed by the Governor-General or Governor-General in Council

This is a Public Ruling made under s 91D of the Tax Administration Act 1994.

Taxation Laws | Ture Tāke

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

This Ruling applies in respect of ss 6(3)(c)(iia), 6(4), 6(5), 8, 20, and 57(2)(b).

The Arrangement to which this Ruling applies | Te Whakaritenga i pāngia e tēnei Whakataunga

The Arrangement is the engagement, occupation or employment of a person as a chairperson or member (the board member) of a local authority, board, council, committee or other body (the organisation) under an appointment made by the Governor-General or the Governor-General in Council (the Governor-General) and evidenced by a warrant, an Order in Council or a notice published in the *New Zealand Gazette*.

How the Taxation Laws apply to the Arrangement | Ko te pānga o ngā Ture Tāke ki te Whakaritenga

The board member contracts directly with the organisation

If the board member is appointed as a board member of the organisation by the Governor-General, the following outcomes occur:

- The engagement is excluded from the definition of “taxable activity” under s 6(3)(c)(iia). Section 6(5) does not apply to engagements under s 6(3)(c)(iia).
- The organisation cannot claim an input tax deduction for any board members’ fees paid to the board member because the board member does not charge GST on the supply of their services to the organisation.

The board member contracts directly with the organisation and is an employee who must pay their fees to their employer

Where the board member is appointed as a board member of the organisation by the Governor-General and:

- the board member is an employee who must pay their fees received from the organisation to their employer; and
- there is no contract between the organisation and the employer;

then, the following outcomes occur:

- The board member's engagement is excluded from the definition of taxable activity under s 6(3)(c)(iia). Section 6(5) does not apply to engagements under s 6(3)(c)(iia).
- Under s 6(4), any board members' fees the organisation pays to the board member (and the board member pays to their employer) are treated as consideration for a supply of services by the employer to the organisation. If the employer is registered or liable to be registered for GST, they must account for GST charged on this deemed supply.
- If the organisation is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the employer charged on the deemed supply, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

The board member is contracted to the organisation, and the board member is a partner who must pay their fees to the partnership

If the board member is a partner in a partnership and:

- is appointed to the organisation by the Governor-General; and
- the appointment is accepted as part of the partnership's taxable activity; and
- the board member must pay the board members' fees received from the organisation to the partnership; then

the following outcomes occur:

- The board member's engagement as a board member of the organisation is excluded from the definition of taxable activity under s 6(3)(c)(iia). Section 6(5) does not apply to engagements under s 6(3)(c)(iia). Instead, the board member's services are treated as supplied by the partnership under s 57(2)(b), and not by the individual partner.
- Section 6(3)(c)(iia) does not apply to the partnership's supply of the board member's services to the organisation because the partnership is not engaged as a board member of the organisation. If the partnership is registered or liable to be registered for GST, it must account for GST charged on the supply of the board member's services to the organisation. This is because the board member's services are treated as supplied by the partnership under s 57(2)(b).
- If the organisation is carrying on a taxable activity and is registered for GST, it can claim an input tax deduction under s 20(3) for any GST the partnership charged

on the supply of the board member's services, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

The period for which this Ruling applies | Ko te wā i pāngia e tēnei Whakataunga

This Ruling applies for an indefinite period beginning on 7 August 2026.

This Ruling is signed by me on 6 August 2026.

Grant Haley

Tax Counsel Lead | Rōia Kaihautū Tāke

Tax Counsel Office | Te Tari Tohutohu Tāke

Commentary on Public Rulings | Takinga kōrero o ngā Whakatau Tūmatanui BR Pub 26/01, 26/02 and 26/03

This Commentary is not a legally binding statement. The Commentary is intended to help readers understand and apply the conclusions reached in Public Rulings BR Pub 26/01, 26/02, 26/03 (the Rulings).

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

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Summary | Whakarāpopoto

1. The Rulings and this Commentary explain the GST treatment of directors' fees and board members' fees where a director or board member:
 - contracts directly with a company or organisation;
 - is engaged by a company or organisation under an agreement between the company or organisation and a third party;
 - contracts directly with the company or organisation and is an employee; the director's or board member's employer; or
 - contracts directly with the company or organisation and is a partner in a partnership.
2. The Rulings and Commentary also explain:
 - when a company or organisation can claim input tax deductions for fees paid for director and board member services; and
 - the GST treatment of board members' fees paid to board members appointed by the Governor-General or the Governor-General in Council (collectively referred to in this Commentary as the Governor-General).

3. The Appendices to this Commentary contain two visual aids to assist readers:
 - [Appendix 1](#) – a table summarising the GST treatment of directors' fees and board members' fees.
 - [Appendix 2](#) – a flowchart for determining the GST treatment of directors' fees and board members' fees.

Person contracts directly with a company or organisation

4. If a director or board member accepts the office, but not as part of carrying on their taxable activity, the office is excluded from the definition of "taxable activity" (s 6). The company or organisation cannot claim input tax deductions for the fees paid on the supplies of services because the director or board member does not charge GST on the supplies.
5. If a director or board member accepts the office as part of carrying on their taxable activity, the office is not excluded from the definition of taxable activity, and they must charge GST on the supplies and return output tax on the fees received. If the company or organisation is GST registered, it can claim input tax deductions for the fees paid on the supplies of services.

Person is contracted to a company or organisation through a third party

6. A third party may agree to provide the services of a director or board member to a company or organisation. If a director or board member accepts the office, but not as part of carrying on their taxable activity, the office is excluded from the definition of taxable activity.
7. However, if a director or board member accepts the office in carrying on their taxable activity, two supplies are relevant.
 - The first supply is the director or board member supplying their services to the third party. The services are treated as supplied in the course or furtherance of their taxable activity. The director or board member must charge GST on the supply of their services to the third party and return output tax on the fees received. If the third party is GST registered, it can claim input tax deductions for the fees paid to the director or board member.
 - The second supply is the third party supplying the director's or board member's services to the company or organisation. If the third party is GST registered, they must charge GST on the supply and return output tax on the fees received. If the company or organisation is GST registered, it can claim input tax deductions for the fees paid to the third party.

Person contracts directly with a company or organisation and is an employee

8. If a person contracts directly with the company or organisation to provide director or board member services and they are also an employee of an employer, they may be required to pay their fees to their employer.
9. If the person holds the office as part of their employment duties, the fees the director or board member pays to their employer are treated as consideration for a supply of services by the employer to the company or organisation. If the employer is GST registered, they must charge GST on the deemed supply and return output tax. If the company or organisation is GST registered, it can claim input tax deductions for the fees paid on the supplies of services.
10. However, if the person holds the office outside their employment, they hold the office in their personal capacity. The person is unlikely to have a taxable activity, so the company or organisation is unable to claim input tax deductions on the supplies of services.

Person is contracted to a company or organisation through a partnership

11. If a person is engaged as a director or board member in their capacity as a partner in a partnership, the partnership is deemed to make the supply of services, not the partner. If the partnership is GST registered, it must charge GST on the deemed supply and return output tax.
12. If the company or organisation is GST registered, it can claim input tax deductions for the fees paid on the supplies of services.

Person is appointed to an organisation by the Governor-General

13. If a person is appointed as a board member of an organisation by the Governor-General, any activities relating to the services supplied by that board member are excluded from the definition of taxable activity. The organisation cannot claim input tax deductions for the fees paid on the supplies of services because the board member does not charge GST on the supplies.
14. If a person is appointed as a board member by the Governor-General, the person is an employee and must pay their board member fees to their employer, and no contract exists between the organisation and the employer, any activities relating to the services the board member supplies are excluded from the definition of taxable activity. Any

board member fees the organisation pays to the board member (and the board member pays to their employer) are treated as consideration for a supply of services by the employer to the organisation. The employer must charge GST on the supply and return output tax. If the organisation is GST registered, it can claim input tax deductions for the fees paid on the supplies of services.

15. If a person is appointed as a board member by the Governor-General and the person is a partner in a partnership and supplies their services in carrying on the partnership's taxable activity, the services are deemed to be supplied by the partnership. The partnership must charge GST on the supply and return output tax. If the organisation is GST registered, it can claim input tax deductions for the fees paid on the supplies of services.

Background | Horopaki

Why the Rulings have been issued

16. On 22 February 2023, the Commissioner issued three Public Rulings for an indefinite period, with effect from 1 April 2023:
 - **[BR Pub 23/01](#): Goods and services tax – Directors' fees¹**
 - **[BR Pub 23/02](#): Goods and services tax – Fees of board members not appointed by the Governor-General and Governor-General in Council²**
 - **[BR Pub 23/03](#): Goods and services tax – Fees of board members appointed by the Governor-General and Governor-General in Council.³**
17. Since 1 April 2023, the Act has been amended, meaning parts of BR Pub 23/03 are now incorrect. Consequently, the Commissioner decided to withdraw, update and reissue BR Pub 23/01, BR Pub 23/02 and BR Pub 23/03.
18. The main legislative change is an amendment to s 6(4).⁴ Section 6(4) applies where a person such as a director or board member is paid a fee for their services, and they are required to pay that fee to their employer (such as a professional services company). Section 6(4) treats the fee as consideration for a supply of services by the person's

¹ BR Pub 23/01: Goods and services tax – Directors' fees *Tax Information Bulletin* Vol 35, No 3 (April 2023): 15.

² BR Pub 23/02: Goods and services tax – Fees of board members not appointed by the Governor-General and Governor-General in Council *Tax Information Bulletin* Vol 35, No 3 (April 2023): 18.

³ BR Pub 23/03: Goods and services tax – Fees of board members appointed by the Governor-General and Governor-General in Council *Tax Information Bulletin* Vol 35, No 3 (April 2023): 21.

⁴ See s 207(3) of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act 2025 (effective on 30 March 2025).

employer to the company or organisation. This means the company or organisation acquiring the person's services can claim an input tax deduction for any GST the person's employer charged. However, an omitted cross-reference in s 6(4) meant it did not apply to board members appointed by the Governor-General. Section 6(4) has now been amended so it applies to board members appointed by the Governor-General.

19. The Rulings have also been updated to reflect the change from tax invoices to taxable supply information, and for general clarity.

Previous Rulings

20. [BR Pub 15/10: Goods and services tax – Directors' fees](#), was issued on 29 June 2015 for an indefinite period with effect from 30 June 2014.⁵ It was withdrawn on 31 March 2023 and reissued as BR Pub 23/01 with effect from 1 April 2023. Two additional Public Rulings were also issued for board members (BR Pub 23/02 and BR Pub 23/03). The three Public Rulings shared a combined Commentary.
21. BR Pub 15/10 replaced [BR Pub 05/13: Directors' fees and GST](#),⁶ from 30 June 2014 for an indefinite period. BR Pub 05/13 itself replaced [BR Pub 00/11: Directors' fees and GST](#),⁷ from 1 April 2005 for an indefinite period. BR Pub 00/11 applied from 26 October 2000 to 31 March 2005. BR Pub 00/11 replaced [BR Pub 00/09: Directors' fees and GST](#),⁸ which contained an application period that was seen to be retrospective. It was issued on 29 August 2000 and applied from 1 April 2000 to 31 March 2005. BR Pub 00/09 replaced policy items published in the *Public Information Bulletin* in 1987 and 1988.⁹

Application of the legislation | Whakapānga o te whakature

22. This part of the Commentary summarises the legislation relevant to whether:
 - directors' fees and board members' fees are subject to GST; and
 - a company or an organisation is entitled to claim input tax deductions for fees paid to a director or board member.

⁵ BR Pub 15/10: Goods and services tax – Directors' fees (Public Ruling, Inland Revenue, June 2015).

⁶ BR Pub 05/13: Directors' fees and GST (Public Ruling, Inland Revenue, July 2005).

⁷ BR Pub 00/11: Directors' fees and GST (Public Ruling, Inland Revenue, October 2000).

⁸ BR Pub 00/09: Directors' fees and GST (Public Ruling, Inland Revenue, August 2000).

⁹ GST on directors' fees *Public Information Bulletin* 164 (August 1987); GST on directors' fees *Public Information Bulletin* 175 (July 1988).

Scheme of the Act

23. GST is charged on the supply in New Zealand of goods and services by a registered person in the course or furtherance of a taxable activity carried on by that person (s 8(1)). GST is regarded as a transactions tax because it is imposed on supplies of goods and services. On this basis, it is the genuine contractual relationship between the parties that determines the GST treatment of the relevant transactions (*Wilson & Horton v CIR* (1995) 17 NZTC 12,325 (CA)). GST is not charged on exempt supplies.
24. GST is charged on supplies made by registered persons. A "registered person" is a person registered or liable to be registered for GST (s 2). A person may be liable to be registered for GST if the value of their total supplies in New Zealand in a 12-month period exceeds the threshold amount in s 51. However, to be liable to account for GST, a registered person must carry on a taxable activity.

Definition of taxable activity

25. Section 6(1)(a) defines a taxable activity as any activity that is carried on continuously or regularly and involves or is intended to involve the supply of goods and services to another person for a consideration. Therefore, a person conducts a taxable activity when:
- there is some form of activity;
 - the activity is carried on continuously or regularly; and
 - the activity involves or is intended to involve the supply of goods and services to another person for a consideration.
26. The definition of taxable activity also includes the activities of any public or local authority (s 6(1)(b)).
27. Anything done in connection with the beginning or ending, including a premature ending, of a taxable activity is treated as being carried out in the course or furtherance of that taxable activity (s 6(2)).
28. For a discussion on the meaning of taxable activity, see [**IS 25/21: GST – taxable activity**](#).¹⁰

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

Exclusions from the definition

29. Section 6(3) provides exclusions from the definition of taxable activity. Excluded from the definition are “any engagement, occupation, or employment” of a person:
- as a director of a company (s 6(3)(b));
 - under an appointment made by the Governor-General and evidenced by a warrant, an Order in Council or a notice published in the *New Zealand Gazette* (s 6(3)(c)(iia)); or
 - as a chairperson or member of any local authority or any board, council, committee or other body (s 6(3)(c)(iii)) (collectively referred to in this Commentary as a board member).

Limitations on the exclusions

30. In certain circumstances, a director or board member is deemed to supply their services as part of a taxable activity. Section 6(5) applies where a person, in carrying on a taxable activity, accepts an office as a director or board member and would otherwise be excluded from the definition of taxable activity by s 6(3)(b) or s 6(3)(c)(iii). Whether a person accepts an office in carrying on their taxable activity, is a question of fact and degree. The existence of a taxable activity is not on its own determinative. Instead, the focus is on whether, when viewed objectively, the office was accepted in carrying on that taxable activity.
31. In these situations, any services the director or board member supplies are deemed to be supplied in the course or furtherance of their taxable activity. Therefore, if a GST-registered sole trader accepts an office of director or board member in carrying on their taxable activity, s 6(5) applies and the sole trader must charge GST on the supply of their services and return output tax on any director’s fees or board member’s fees received.
32. Section 6(5) does not apply to board members appointed by the Governor-General as those appointments are excluded from the definition of taxable activity by s 6(3)(c)(iia).
33. Section 6(5) can apply whether the person accepts one office or multiple offices. However, where the separate taxable activity ceases to exist (for example, the legal practice shuts down), and the person still holds several directorships or board memberships, s 6(5) does not apply. It is not enough that the office was originally accepted in carrying on a taxable activity; that taxable activity must continue.
34. Example | Tauira 1, Example | Tauira 2 and Example | Tauira 3 illustrate how s 6(5) applies.

Example | Tauira 1 – Whether an office is accepted in carrying on a taxable activity**Variation 1 – Directorship accepted in carrying on a taxable activity**

Eriksen has a shop called Danes-R-Us, which sells sporting gear, including merchandise of Elsinore FC (the local football club). Danes-R-Us is a great supporter of Elsinore FC, supporting club initiatives to increase attendance at games and encourage youth player participation. These initiatives include giving away free match tickets as part of in-store promotions and providing free transport to out-of-town matches for youth players.

In recognition of the support of Eriksen and Danes-R-Us, the club asks Eriksen to join the board of directors of Elsinore FC, and he agrees.

Although s 6(3)(b) excludes the directorship from the definition of taxable activity, s 6(5) brings the directorship back into the definition as the directorship was accepted by Eriksen in carrying on a taxable activity (Danes-R-Us). The directorship was offered because of the activities Eriksen and Danes-R-Us undertook to benefit the club while carrying on the taxable activity of selling sporting gear.

Variation 2 – Directorship not accepted in carrying on a taxable activity

Eriksen has the same taxable activity as in variation 1, but Danes-R-Us does not support any Elsinore FC initiatives. Eriksen, in his own time and at his own expense, supports the club by assisting with fundraising, providing free transport to games for youth players and organising supporters' club functions. In recognition of Eriksen's support, the club asks him to join the board of directors of Elsinore FC, and he agrees.

Section 6(3)(b) excludes the directorship from the definition of taxable activity. Section 6(5) does not bring the directorship back into the definition as the directorship was not accepted by Eriksen in carrying on a taxable activity (Danes-R-Us); the directorship was offered in recognition of Eriksen's efforts outside the taxable activity.

Given the particular activity of Danes-R-Us (sporting gear sales, including Elsinore FC merchandise), careful consideration of the facts is critical.

Example | Tauira 2 – Whether an office is accepted in carrying on a taxable activity**Variation 1 – Directorship not accepted in carrying on a taxable activity**

Cora is a butcher and also a great supporter of Elsinore FC (from Example | Tauira 1). She spends hours of her own time coaching the women's team, running the supporters' club, and lobbying the local council to provide better facilities for girls who want to play football. In recognition of her efforts, Elsinore FC asks Cora to become a director of the club, and she agrees.

Section 6(3)(b) excludes the directorship from the definition of taxable activity. Section 6(5) does not bring the directorship back into the definition as the directorship was not accepted by Cora in carrying on her taxable activity as a butcher; instead, the directorship was offered to Cora in recognition of her efforts outside her taxable activity as a butcher.

Variation 2 – Directorship accepted in carrying on a taxable activity

The facts are the same as in Variation 1, except Cora is not a football fan or supporter of Elsinore FC. However, she recognises the club's popularity in the local community and takes advantage of that to promote her business, Ham-4-All. Ham-4-All sponsors the club's junior teams, participates in free match ticket giveaways at the store and contributes to the cost of redeveloping the clubhouse. In recognition of Ham-4-All's support, Elsinore FC asks Cora to become a director of the club, and she agrees.

Although s 6(3)(b) excludes the directorship from the definition of taxable activity, s 6(5) brings the directorship back into the definition as the directorship was accepted by Cora in carrying on the taxable activity of Ham-4-All. The directorship was offered because of the activities Cora and Hams-4-All undertook to benefit the club.

Example | Tauira 3 – Director continues in office after ceasing a taxable activity

Harland is an accountant who carries on an accountancy practice in Elsinore. He has practised in the town for over 40 years. In the course of carrying on that taxable activity, Harland has accepted a number of directorships.

Although s 6(3)(b) excludes those directorships from the definition of taxable activity, s 6(5) brings them back within the definition as Harland accepted the directorships in carrying on his accounting practice. As a result, Harland charges GST on the supply of his director services and returns output tax on any directors' fees he receives.

After 40 years, Harland decides to retire. He ceases his accountancy practice but continues to hold his directorships. Because Harland is no longer carrying on a taxable activity, the directorships are excluded from the definition of taxable activity under s 6(3)(b), and s 6(5) no longer applies. It is not enough that the directorships were originally accepted in carrying on a taxable activity. The taxable activity must continue to be carried on.

Harland must deregister from GST as he is no longer carrying on a taxable activity. He can do this through the "cancel account registration" service in myIR.

If Harland keeps any assets that were used in his taxable activity when he deregisters, he may need to make a GST adjustment in his final GST return. This is because those assets are treated as being supplied on deregistration, and GST may be payable on their market value.

Deemed supplies by employers

35. A company or organisation may engage a person as a director or board member in circumstances where that person is also an employee of an employer. This could be an independent employer or the person's personal services company. An employer may agree that their employee can be engaged as a director or a board member on the condition the employee pays any directors' fees or board members' fees to their employer.
36. In this situation, the company or organisation would usually be unable to claim input tax deductions on directors' fees or board members' fees paid to the employee. This is because, generally, the employee would not be carrying on a taxable activity, as the definition of taxable activity excludes any engagement, occupation or employment under any contract of service (s 6(3)(b)).
37. However, s 6(4) allows a company or organisation to claim input tax deductions for fees paid to a director or board member who is an employee of an employer.

Section 6(4) provides that when an employee is engaged by a company or an organisation to be a director or board member and the employee must pay the directors' fees or board members' fees to their employer, the employer is deemed to make a supply of services to the company or organisation. Section 6(4) applies to genuine employment relationships where the employee has a fiduciary obligation to account to their employer for any fees from an office. Therefore, a GST-registered employer must return output tax on the supply of the services, and, if the company or organisation is GST registered, it can claim input tax deductions on the supply. For more information on s 6(4), see [Directors' fees](#).¹¹

Input tax deductions

38. A person may accept an office of director or board member in different capacities. Depending on the capacity, the company or organisation may receive taxable supply information from:
- the director or board member;
 - a third party;
 - the employer of the director or board member; or
 - the partnership associated with the director or board member.
39. Under s 20(3), the company or organisation can claim an input tax deduction for the directors' fees or board members' fees it pays, if the company or organisation:
- is GST registered; and
 - holds the relevant taxable supply information (or taxable supply information for a deemed supply by an employer under s 6(4) or a partnership under s 57(2)(b)).

Analysis

40. The Rulings explain the GST treatment of directors' fees and board members' fees. The tests for determining whether a director or board member is carrying on a taxable activity and their GST treatment are the same, except where a board member is appointed by the Governor-General (discussed from [69]).
41. The following analysis explains the GST treatment of supplies of services where a person is engaged as a director or board member and they:
- contract directly with the company or organisation (from [43]);
 - are contracted to the company or organisation through a third party (from [48]);

¹¹ Directors' fees *Tax Information Bulletin* Vol 26, No 7 (August 2014): 96.

- contract directly with the company or organisation and are also an employee of an employer (from [55]); and
- contracted to the company or organisation through a partnership (from [62]); and
- appointed as a board member by the Governor-General (from [69]).

42. In analysing any engagement, it is critical to understand the legal effect of the arrangements entered into. The capacity in which an office is accepted and whether the person is legally obliged to pay another party for the fees received must be carefully considered. It must be clear which of the contractual arrangements listed in [41] applies.

Person contracts directly with a board or organisation



Person

43. A person may accept an office as a director or board member:
- in their personal capacity (so, not as part of carrying on their taxable activity or because they do not have a taxable activity); or
 - as part of carrying on a taxable activity.
44. If a person accepts an office in their personal capacity, the engagement is excluded from the definition of taxable activity by s 6(3)(b) or s 6(3)(c)(iii). Section 6(5) does not apply because the person has not accepted the office as part of carrying on a taxable activity. Example | Tauira 4 illustrates this scenario.
45. If a person accepts an office in carrying on their taxable activity, s 6(5) overrides the exclusions in s 6(3)(b) and s 6(3)(c)(iii) and deems the services to be supplied in the course or furtherance of that taxable activity. If the director or board member is registered or liable to be registered for GST, they must charge GST on the supply and return output tax on the fees received from the company or organisation. Example | Tauira 5 illustrates this scenario.

Company or organisation

46. If a person accepts an office in their personal capacity, the company or organisation cannot claim input tax deductions for the fees paid on the supplies of services because the director or board member does not charge GST on the supplies.

47. If a person accepts an office as part of carrying on their taxable activity, the company or organisation can claim input tax deductions for the fees paid on the supplies of services, provided the requirements of the Act, such as those in s 20(2), are met.

Example | Tauira 4 – Director engaged in their personal capacity

Claud is an employee of Marketing Ltd. Fort Ltd engages Claud as a director and pays him fees for his services. Claud's appointment as a director is not connected with his employment at Marketing Ltd, nor has he accepted the directorship as part of carrying on a taxable activity. Claud is not registered for GST. He retains the fees, having received them in his personal capacity.

Claud's engagement as a director of Fort Ltd is excluded from the definition of taxable activity by s 6(3)(b). Section 6(5) does not apply, because Claud did not accept the directorship as part of carrying on a taxable activity. Claud does not charge GST on the supply of directorship services to Fort Ltd.

Fort Ltd cannot claim input tax deductions for the fees paid to Claud because Claud did not charge GST on the supply of those services to Fort Ltd.

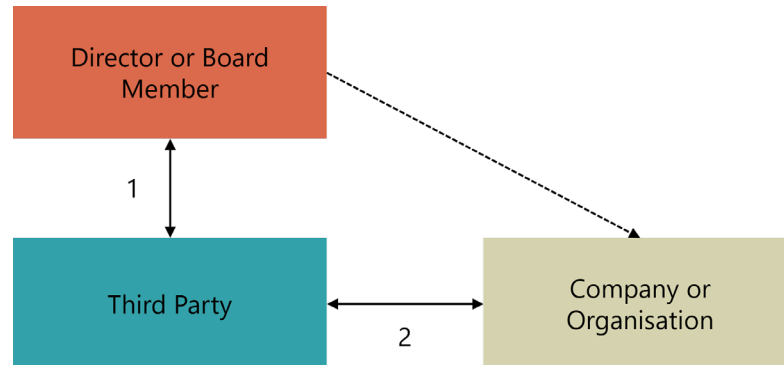
Example | Tauira 5 – Board member engaged as part of carrying on a taxable activity

Ophelia is a GST-registered employment consultant in business on her own. Ophelia accepts a position as a member of the Employment Equality Council as part of carrying on her taxable activity. She receives fees for her board member services.

Because Ophelia accepts the office as part of carrying on her taxable activity, s 6(5) deems her services to be supplied in the course or furtherance of her taxable activity. Therefore, Ophelia charges GST on the supply of board member services, provides the council with taxable supply information and returns any output tax on the fees received.

As the council is GST registered, it can claim input tax deductions for the fees paid to Ophelia, provided the requirements of the Act, such as those in s 20(2), are met.

Person contracted to a company or organisation through a third party



48. A third party may agree to provide the services of a director or board member to a company or organisation. In this situation, two supplies are relevant. The first supply is the director or board member providing their services to the third party. The second supply is the third party providing the director's or board member's services to the company or organisation.
49. This contractual arrangement is often seen where the director or board member is an employee of the third party. In these circumstances, no direct contract exists between the employee and the company or organisation. This can be contrasted with the arrangement discussed from [55] where the employee contracts directly with the company or organisation.

First supply – director or board member supplies services to third party

Person

50. If the person accepts the office, but not as part of carrying on a taxable activity, the engagement is excluded from the definition of taxable activity by s 6(3)(b) or s 6(3)(c)(iii). Section 6(5) does not apply because the director's or board member's services are not supplied as part of carrying on a taxable activity. Example | Tauira 6 illustrates this situation.
51. If the person accepts the office in carrying on a taxable activity, s 6(5) deems the director's or board member's services to be supplied in the course or furtherance of their taxable activity. In this situation, the director or board member will provide taxable supply information to the third party for supplying the director's or board member's services. Therefore, the director or board member must charge GST on the supply of services to the third party and return output tax on the fees received from the third party. Example | Tauira 7 illustrates this scenario.

Third party

52. If GST registered, the third party can claim input tax deductions for the fees paid to the director or board member, provided the requirements of the Act, such as those in s 20(2), are met.

Second supply – third party provides director or board member services to the company or organisation**Third party**

53. The third party charges the company or organisation for the third party's services in providing the director's or board member's services. If the third party is registered or liable to be registered for GST, they must provide taxable supply information and charge GST on the supply and return output tax on the fees received for the supply of the director's or board member's services. Section 6(3)(b) does not apply because the third party is not engaged as a director of a company or as a board member of an organisation.

Company or organisation

54. If GST registered, the company or organisation can claim input tax deductions for the fees paid to the third party, provided the requirements of the Act, such as those in s 20(2), are met.

Example | Tauira 6 – Person contracted to company by third party and office not accepted in carrying on the person's taxable activity

A GST-registered management company, Polo Ltd, agrees to supply Oso Ltd (also GST registered) with the services of a director. Polo Ltd (company) supplies the services of Marcel (director), one of its specialist employees, to Oso Ltd (third party). Directors' fees are paid by Oso Ltd to Polo Ltd for the services Marcel provides.

The engagement of Marcel as director is excluded from the definition of taxable activity by s 6(3)(b). Section 6(5) does not apply as Marcel has not accepted the office as part of carrying on a taxable activity; he has accepted the office as part of his employment with Polo Ltd. Therefore, Marcel does not charge GST on the supply of his directorship services or return output tax.

Section 6(3)(b) does not apply to the activity of Polo Ltd because it is not engaged as a company director. The fees are paid in consideration of Polo Ltd providing the services of Marcel to Oso Ltd. This is a supply in the course or furtherance of

Polo Ltd's taxable activity and Polo Ltd must account for output tax on the fees received.

As Oso Ltd is GST registered, it can claim input tax deductions for the fees paid to Polo Ltd, provided the requirements of the Act, such as those in s 20(2), are met.

Example | Tauira 7 – Person contracted to organisation by third party and office accepted in carrying on the person's taxable activity

Horatio is a GST-registered accountant in business on his own. Vole Ltd, a GST-registered consulting firm, agrees to supply the Employment Equality Council with the services of a board member to monitor the council's financial systems. Horatio agrees with Vole Ltd to provide his services as a board member to the council. Two supplies are involved in this arrangement. First, Horatio provides his services to Vole Ltd. Secondly, Vole Ltd supplies the services of Horatio to the council.

As Horatio accepted the office as part of carrying on his taxable activity as an accountant, he must charge GST on the supply of his services to Vole Ltd. Horatio must also return output tax on this supply. Vole Ltd can claim input tax deductions for the fees paid to Horatio.

In relation to the second supply, Vole Ltd's supply of Horatio's services to the council does not fall within s 6(3)(c)(iii) because Vole Ltd is not engaged as a board member. Vole Ltd must account for output tax on the fees received for the supply of Horatio's services.

The council can claim input tax deductions for the fees paid to Vole Ltd, provided the requirements of the Act, such as those in s 20(2), are met.

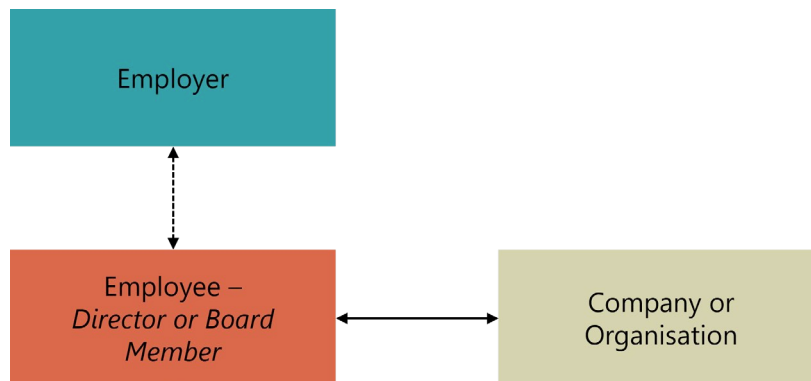
Person contracts directly with a company or organisation and they are an employee of an employer

55. A company or an organisation may directly engage a person as director or board member in circumstances where that person is also an employee of a third-party employer. In this situation, no contract exists between the employer and the company or organisation.
56. The employee may hold the office:
 - as part of their employment duties, or
 - outside their employment.

57. If the employee holds the office outside their employment (the office does not arise from carrying on their employment), they are a director or board member in their personal capacity (see from [43], and Example | Tauira 4 and Example | Tauira 5). Because the director or board member is also an employee, it is unlikely they will have a taxable activity, but this will depend on the circumstances of each case.

Employee

58. Sometimes an employer will permit an employee to accept an office, provided the employee pays their fees received from the company or organisation to the employer. If the employee accepts the office in the course of their employment, the engagement of the employee as a director or board member is excluded from the definition of taxable activity by s 6(3)(b) or s 6(3)(c)(iii). Section 6(5) does not apply as the director or board member has not accepted the office as part of carrying on a taxable activity; the director or board member is merely carrying out their employment duties.
59. Section 6(4) provides that when an employee is engaged as a director or board member and the employee must pay their fees received to their employer, the payment is treated as consideration for a supply of services by the employer to the company or organisation. This is illustrated below.



Employer

60. If the employer is registered or liable to be registered for GST, it must account for GST on the supply of the employee's services. GST must be charged on the deemed supply and output tax must be returned on the fees received for the employee's supplies of director or board member services. If requested, the employer should also provide the company or organisation with taxable supply information.

Company or organisation

61. If GST registered, the company or organisation can claim input tax deductions for the fees paid to the employer for the director's or board members' services. This is

because the employer is deemed to supply the services under s 6(4). Example | Tauira 8 illustrates this scenario.

Example | Tauira 8 – Employee engaged as a director

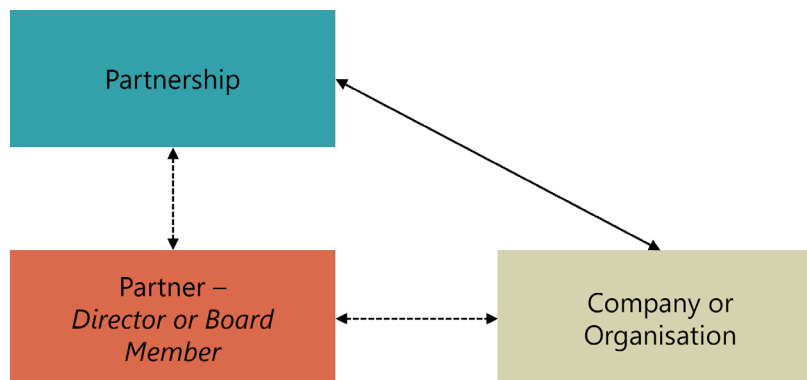
Guild Ltd agrees its employee Lara can take up a directorship with Bard Ltd, provided Lara pays the fees she receives to Guild Ltd. No contract exists between Guild Ltd and Bard Ltd. Both Guild Ltd and Bard Ltd are GST registered.

Lara's engagement as a director is excluded from the definition of taxable activity by s 6(3)(b). Section 6(5) does not apply as Lara has not accepted the office as part of carrying on a taxable activity. Therefore, Lara does not charge GST on the supply of her directorship services.

Under s 6(4), Guild Ltd is treated as making a supply of services to Bard Ltd. Guild Ltd must charge GST on the deemed supply of director's service, return output tax and provide taxable supply information to Bard Ltd.

Bard Ltd can claim input tax deductions on the deemed supplies from Guild Ltd.

Person contracted to company or organisation through a partnership



62. A person may be engaged as a director or board member in their capacity as a partner in a partnership, as part of the partnership's business.
63. Section 2(1) defines "unincorporated body" to include a partnership. Section 57(2)(b) provides that where an unincorporated body carries on a taxable activity, supplies of goods and services made as part of carrying on that taxable activity are deemed to be supplied by the unincorporated body. If the unincorporated body is a partnership, supplies of goods and services are deemed to be supplied by the partnership and not by any of the partners.

Partner

- 64. The engagement of the partner as a director or board member is excluded from the definition of taxable activity by s 6(3)(b) or s 6(3)(c)(iii).
- 65. Section 6(5) does not apply because, although the partner may be carrying on the taxable activity of the partnership, under s 57(2)(b) the director's or board member's services are deemed to be supplied by the partnership, not the partner. Therefore, the partner does not charge GST or return output tax on the supplies of their services to the company or organisation.

Partnership

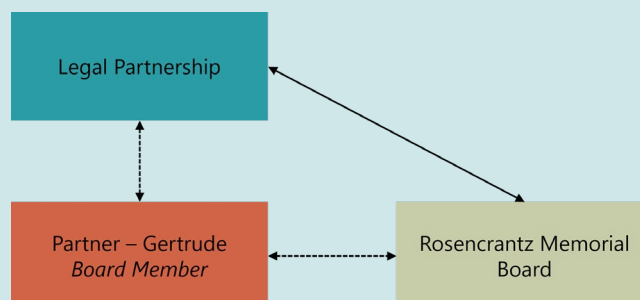
- 66. The partnership is deemed to supply the services of its partner to the company or organisation as part of its taxable activity. Section 6(3)(b) and s 6(3)(c)(iii) do not apply as the partnership is not engaged as a director or board member. Therefore, if the partnership is registered or liable to be registered for GST, it must account for GST on the supply of the partner's services. GST must be charged on the deemed supply and output tax must be returned on the fees received for the partner's supplies of director or board member services. If requested, the partnership should also provide the company or organisation with taxable supply information.

Company or organisation

- 67. If GST registered, the company or organisation can claim input tax deductions for the fees paid to the partnership for the director's or board member's services. This is because the partnership is deemed to supply the partner's services under s 57(2)(b).
- 68. Example | Tauira 9 illustrates how these rules apply.

Example | Tauira 9 – Partner in a partnership engaged as board member

A GST-registered legal partnership provides legal advice to the Rosencrantz Memorial Board (RMB). A partner in the partnership, Gertrude, is elected on to the board of RMB as a representative of the partnership. RMB is GST registered.



Gertrude's engagement as a board member is excluded from the definition of taxable activity by s 6(3)(c)(iii)), so it cannot constitute a taxable activity for her. Section 6(5) does not apply as, although Gertrude may be providing the board member services, the services are deemed to be supplied by the partnership under s 57(2)(b). Therefore, Gertrude does not charge GST or return output tax on the supplies of her board member services.

Section 6(3)(c)(iii) does not apply to the partnership as it is not engaged as a board member of an organisation. Therefore, the partnership must charge GST and return output tax on the supply of the Gertrude's board member services.

RMB can claim input tax deductions for the fees it pays to the legal partnership for Gertrude's board member services, provided the requirements of the Act, such as those in s 20(2), are met.

Person is appointed to an organisation by the Governor-General

69. A person may be appointed as a board member to an organisation by the Governor-General. Appointments made by the Governor-General are generally personal in nature. This means some situations described earlier in this Commentary will not arise where the Governor-General appoints a board member. For example, where:

- a third party contracts with a board member to provide board member services to an organisation; or
- an employee of an employer is engaged as a board member of an organisation in their capacity as an employee, under an agreement between the employer and the organisation.

Person is appointed as a board member

Person

70. If a person is appointed as a board member by the Governor-General, any activities relating to the services supplied by that board member are excluded from the definition of taxable activity (s 6(3)(c)(ia)). Section 6(5) does not apply to board members appointed by the Governor-General. Example | Tauira 10 illustrates this outcome.

Organisation

71. The organisation cannot claim input tax deductions for the fees paid on the supplies of services because the board member does not charge GST on the supplies.

Example | Tauira 10 – Board member appointed by the Governor-General

The empowering legislation for the Preservation Association provides that appointments to the association's board must be made by the Governor-General. The Governor-General appoints Fran to the association's board. Fran accepts the appointment and provides board member services to the association. She is paid a fee for her services.

Fran's appointment as a board member is excluded from the definition of taxable activity by s 6(3)(c)(iia). As s 6(5) does not apply to appointments covered by s 6(3)(c)(iia), Fran does not charge GST on their supply of board member services to the association.

The association cannot claim input tax deductions on Fran's board member services as no output tax is charged on the supply of those services.

Employee is appointed as a board member

Person

72. If a person is appointed as a board member by the Governor-General, the board member is an employee and must pay their board member fees to their employer, and no contract exists between the organisation and the employer, the board member's engagement is excluded from the definition of taxable activity by s 6(3)(c)(iia). Section 6(5) does not apply to engagements under s 6(3)(c)(iia).

Employer

73. Under s 6(4), any board members' fees the organisation pays to the board member (and the board member pays to their employer) are treated as consideration for a supply of services by the employer to the organisation. If the employer is registered or liable to be registered for GST, it must charge GST on the supply of the board member's services to the organisation and return output tax on the fees received for the supply of the board members' services.

Organisation

74. If the organisation is GST registered, it can claim input tax deductions under s 20(3) for the fees paid on the deemed supply by the employer of the board member's services, provided the other requirements in the Act, such as those in s 20(2), are satisfied.

Partner is appointed as a board member

Person

75. If the Governor-General appoints a board member who is a partner in a partnership and the person supplies their services in the course of carrying on the partnership's taxable activity, the services are deemed to be supplied by the partnership under s 57(2)(b).

Partnership

76. If the partnership is registered or liable to be registered for GST, it must charge GST on the deemed supply of the board member's services to the organisation and return output tax on the fees received for the supply of the board member's services. The partnership's supply of the board member's services is not excluded from the definition of taxable activity by s 6(3)(c)(ia) because the partnership is not engaged as a board member.

Organisation

77. If GST registered, the organisation can claim input tax deductions for the fees paid for the board member's services, provided the other requirements in the Act, such as those in s 20(2), are satisfied. This is because the partnership is deemed to supply the partner's services under s 57(2)(b).

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About this document | Mō tēnei tuhinga

Public rulings are issued by the Tax Counsel Office. Public rulings set out the Commissioner's view on how tax laws apply to a specific set of facts – called an arrangement. Taxpayers whose circumstances match the arrangement described in a public ruling may apply the ruling but are not obliged to do so. Public rulings are binding on the Commissioner. This means that if you are entitled to apply a public ruling and you have calculated your tax liability in accordance with the ruling, the Commissioner must accept that assessment. A public ruling applies only to the taxation laws and arrangement set out in the ruling, and only for the period specified in the ruling. It is important to note that a general similarity between a taxpayer's circumstances and the arrangement covered by a public ruling will not necessarily lead to the same tax result.

Appendix 1 – Summary table

Table | Tūtohi 1 – GST treatment of directors' fees and board members' fees

Contractual arrangements	GST treatment				
	Director or board member	Third party	Employer	Partnership	Company or organisation
Director or board member contracts directly with company or organisation					
No taxable activity	–	–	–	–	No input tax deductions can be claimed
Accepts the office, but not as part of carrying on a taxable activity	Office excluded from taxable activity	–	–	–	No input tax deductions can be claimed
Accepts the office as part of carrying on a taxable activity	If GST registered, must charge GST on supply and return output tax	–	–	–	If GST registered, can claim input tax deductions
Director or board member contracted to company or organisation through a third party					
Office accepted by director or board member but not in carrying on taxable activity					
	Office excluded from taxable activity	If GST registered, must charge GST and return output tax	–	–	If GST registered, can claim input tax deductions

Contractual arrangements	GST treatment				
	Director or board member	Third party	Employer	Partnership	Company or organisation
Office accepted by director or board member in carrying on taxable activity					
Supply from director or board member to third party	If GST registered, must charge GST and return output tax	If GST registered, can claim input tax deductions	–	–	–
Supply from third party to company or organisation	–	If GST registered, must charge GST and return output tax	–	–	If GST registered, can claim input tax deductions
Director or board member contracts directly with company or organisation and is employee					
Accepts office outside their employment	Unlikely to have a taxable activity	–	–	–	No input tax deductions can be claimed
Accepts office as part of their employment	Office excluded from taxable activity	–	If GST registered, must charge GST on deemed supply and return output tax	–	If GST registered, can claim input tax deductions
Director or board member contracted to company or organisation through a partnership					
Person accepts office in their capacity as partner in a partnership	Office excluded from taxable activity	–	–	If GST registered, must charge GST on deemed supply and return output tax	If GST registered, can claim input tax deductions

Contractual arrangements	GST treatment				
	Director or board member	Third party	Employer	Partnership	Company or organisation
Board member appointed to organisation by Governor-General					
Person contracts directly with organisation	Office excluded from taxable activity	–	–	–	No input tax deductions can be claimed
Employee appointed as board member, no contract between employer and organisation and employee must pay fees to employer	Office excluded from taxable activity	–	If GST registered, must charge GST on deemed supply and return output tax	–	If GST registered, can claim input tax deductions
Partner appointed as board member and services supplied in carrying on partnership's taxable activity	Office excluded from taxable activity	–	–	If GST registered, must charge GST on deemed supply and return output tax	If GST registered, can claim input tax deductions

Appendix 2 – Flowchart

Figure | Hoahoa 1 – Flowchart for determining the GST treatment of directors' fees and board members' fees

