Inland Revenue
Te Tari Taake

Standard Practice Statement SPS 17/02

Six-monthly GST return filing

Introduction

Standard Practice Statements describe how the Commissioner of Inland Revenue will exercise a statutory discretion or deal with practical issues arising out of the administration of the Inland Revenue Acts.

This statement sets out certain practices that the Commissioner will exercise in applying the discretion to allow registered persons to remain or become six-monthly return filers for goods and services tax (GST) purposes.

Application

This statement replaces GNL 420 Six-monthly GST return threshold, *Tax Information Bulletin* Vol 13, No 12 (December 2001), and applies from 04 October 2017.

Standard practice

Summary

1. The Government recognises that filing GST returns on a one or two-monthly basis may involve significant compliance costs. A GST-registered person may apply to the Commissioner for a six-monthly filing frequency if their taxable supplies in any 12-month period do not or are not likely to exceed $500,000. This figure is calculated on a GST exclusive basis.

2. In addition, a person may also apply for a six-monthly filing frequency regardless of their level of taxable supplies where they make seasonal supplies. That is, where 80% or more of their taxable supplies are made within a six-month period that ends at any day within the last month of the person's income year.

3. Where a person who has been allocated a six-month filing frequency ceases to meet the criteria for that approval, they will be required to change their filing frequency following the end of the return period that aligns with the end of the 12-month period in which they ceased to meet those requirements.

4. However, a person is not required to cease using a six-monthly filing frequency if the breach of the taxable supplies threshold is one-off. A person may remain a six-month filer if they expect their taxable supplies to still be within the threshold for the following 12-month period.

Changes to six-month filing frequency

5. The recently enacted Taxation (Annual Rates for 2016-17, Closely Held Companies, and Remedial Matters) Act 2017 addressed technical issues with the eligibility to file six-monthly GST returns and introduced an exception that allows a person to file six monthly even if they have a one-off breach of the threshold.

6. Section 15(1) of the Goods and Services Tax Act 1985 provides that a GST-registered person must have a one, two or six-monthly return filing frequency. Section 15(2) sets out the criteria for using a six-monthly filing frequency. Section 15C(1) provides that a person may apply, either in writing or in electronic format, to change from a one or two-monthly filing frequency to a six-monthly basis.

7. A six-monthly filing frequency has the obvious compliance cost advantage of requiring only two returns to be filed each year. It will also delay the liability to pay GST output tax on some transactions. However, these advantages must be weighed against the effect of delaying the ability to claim GST input tax.

Criteria for six-month filing frequency

8. A six-month filing frequency is available to any person whose taxable supplies have not or are not likely to be more than $500,000 in any 12-month period.

9. The amount of a person's taxable supplies is calculated on a GST exclusive basis and exclude amounts that arise out of:

   - donations and exempt supplies
   - the ending, including a premature ending, of a taxable activity carried on by the person:
   - a substantial and permanent reduction in the size or scale of a taxable activity carried on by that person:
   - the replacement of plant or a capital asset used in a taxable activity carried on by the person.

10. A person may also apply for a six-monthly filing frequency even though their taxable supplies exceed the $500,000 threshold if 80% or more of their taxable supplies in an income year are made:

   - within a six-month period that ends at any day within the last month of the person's income year, and
   - the person has not had a six-monthly filing frequency under this criterion in the 24-month period before the application.

11. This criterion is designed for people who have seasonal taxable activities. It is intended to apply for those taxpayers whose taxable supplies fall near the end of their income year.

Example 1 – Seasonal business

Dwight operates a ski hire shop with an annual turnover of $600,000. The shop is open only during winter. During the rest of the year, Dwight leaves New Zealand. If Dwight filed two monthly GST returns, he would need to file nil returns while he was outside New Zealand.

Dwight has approval to file income tax returns to coincide with his annual balance date of 31 October each year. Dwight can apply to file GST returns on a six-monthly basis because all of his taxable supplies are made between May and October, being within the last six months of the end of Dwight's income year. This means Dwight will need to file only two GST returns each year. The return filing frequency will be aligned with Dwight's income year. Dwight will file one return for the period November to April and the other for the period May to October each year.

Example 2 – Seasonal income

Aroha operates an apple orchard with an annual turnover of $700,000. 85% of her income is received from her harvest in April and May each year.

Aroha has approval to file income tax returns which coincides with her annual balance date of 30 June each year. Even though Aroha's orchard operates all year round, she can apply to file GST returns on a six-monthly basis because almost all of her taxable supplies are made within the last six months of the end of her income year. This means that Aroha will need to file only two GST returns each year. The return filing frequency will be aligned with her income year. Aroha will file one return for the period July to December and the other for the period January to June each year.

12. A six-month filing frequency would provide administrative savings. A person who files six-monthly GST returns would include most or all of their taxable supplies in one return that aligns with their annual balance date.

13. Note that a person who has changed from a six-monthly filing frequency under the seasonal criteria within the past 24 months, may not re-apply for six-monthly filing.

Breach of criteria

14. A person who has approval to file six-monthly GST returns and becomes ineligible to do so because they have breached the $500,00 threshold, and do not make seasonal supplies, must notify the Commissioner within 21 days of that breach.

15. In practice, it is likely that taxpayers will monitor their turnover when they calculate and file their GST returns. If, at that time, their taxable supplies made in that return indicate they have exceeded the turnover threshold (that is, taxable supplies made for that six-month period and the previous six-month period together exceed $500,000), they will need to determine whether they are likely to continue to maintain that level of turnover. If so, they must notify the Commissioner, and they will be changed to a one-monthly or two-monthly filing frequency.

16. However, where the person's taxable supplies exceed the threshold for six-monthly filing, but they determine they are not likely to exceed the threshold in the following 12 months, they are not required to change from six-monthly filing.

Example 3 – One-off breach in excess of the threshold

Sharyn operates a motel with an annual turnover of $450,000 and has an annual balance date of 31 March each year. She is approved to file six-monthly GST returns for the periods April to September and October to March each year. February is usually a quiet month for occupancy in the motel. However, in February 2017, the city held a month-long international event that meant Sharyn's turnover for the 12 months ending 29 February 2017 reached $550,000. The international event will be held in a different city in 2018. Therefore, Sharyn does not expect her annual turnover to be more than $450,000 for the 12-month period ended 28 February 2018.

Sharyn is not required to change her return filing frequency from 1 April 2017, because, although her turnover breached the $500,000 threshold, she does not expect her turnover to be over that threshold in the 12-month period following that breach.

17. For any return filing frequency approved by the Commissioner, whether by initial application or by request to change, it is the Commissioner's practice to notify the person in writing. The letter will set out the approved filing frequency and the date from which the filing frequency will apply.

18. The flow chart in the Appendix below sets out the circumstances in which a registered person who makes (or expects to make) total taxable supplies for a 12-month period valued above $500,000 (but not more than $24 million) is eligible to be a six-month filer.

This Standard Practice Statement is signed on 04 October 2017

Rob Wells

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Appendix

Flowchart: Process where a person's taxable supplies exceed the $500,000 threshold figure