GST & Bodies Corporate

Taxation Review Bill

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- The Bill is called:

The Taxation (Annual Rates for 2015-16, Research and Development, and Remedial Matters) Bill (Phew)

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- The Bill seeks to:
  - Clarify GST position for Bodies Corporate
  - Address historic uncertainties
- The Bill has changed over time primarily as a result of public and industry consultation from 2014

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- B's C that are not registered can either choose to do so, or must do so if:
  - Have supply activity (other than levy) to non-owners or 3rd parties that exceeds $60,000 pa.
- Once registered all activity that could attract GST will do so, includes:
  - Rental, levy, interest and other income
  - All operating expenditure except wages & non-registered suppliers

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- B’s C that are currently registered can choose to remain registered or de-register
- Remember - EXCEPT – Those with activity in excess of $60,000 of other activity

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- If a BC chooses to register after the Bill is enacted – cannot de-register for 4 years
  - Prevents changing status at will
- Upon registration – BC must pay GST output tax on any funds held by the BC

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- If a BC chooses to deregister, GST will not be refunded on held funds
- The "look through" provisions that were suggested have fallen off.
  - B's C that have GST registered owners will need to consider what to do in relation to these owners – may be more suitable to be registered than not

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- Factors to consider are:
  - % of expenses that do not attract GST
  - The $ value of reserves
    - 15% of the levies that were paid by owners to make up this reserve have been paid to IRD
    - GST on expenditure from these reserves can be claimed back only if still registered
  - If supplies to non-owners / 3rd parties exceed $60,000 – must remain registered

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- Factors to consider are:
  - Unless reserves are low and/or the percentage of non-GST expenses that don’t attract GST are high – probably no incentive to de-register