



Cabinet Economic Development Committee

Minute of Decision

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GST Apportionment: Release of Officials' Issues Paper

Portfolio **Revenue**

On 2 March 2022, the Cabinet Economic Development Committee:

- 1 **noted** that a number of policy issues have been identified with the existing GST apportionment and adjustment rules;
- 2 **noted** that the officials' issues paper, *GST Apportionment and Adjustment Rules: An Officials' Issues Paper* (the officials' issues paper), attached to the submission under DEV-22-SUB-0017, includes a range of options for simplifying the existing apportionment and adjustment rules, including:
 - 2.1 allowing GST registered businesses to elect that capital assets not be subject to GST on purchase or sale (the election method);
 - 2.2 introducing a principal purpose test for assets purchased for less than \$5,000 (GST exclusive), where an asset that is principally acquired for business purposes would claim a full GST input tax deduction;
 - 2.3 introducing a 20 percent margin rule, whereby GST registered businesses would no longer make annual adjustments unless their business or private use of the asset has significantly changed (by more than 20 percent);
 - 2.4 introducing rounding-based rules for assets that are close to being either fully taxable (80 percent or more taxable use) or fully non-taxable (20 percent or less taxable use);
 - 2.5 potential options for improving the definitions of residential and commercial accommodation services;
 - 2.6 discussing if special rules should apply to the sale of houses and other types of dwellings, where they are treated as fully private assets and GST exempt on sale by a registered person other than a property developer;
 - 2.7 potential options for simplifying the GST apportionment rules for residential property developers whilst also encouraging land to be developed and sold sooner;
 - 2.8 other minor and incremental improvements that seek to reduce compliance costs for GST registered businesses and remove rules that are superseded by policy options outlined in the officials' issues paper;

- 3 **agreed** to the release of the officials' issues paper, subject to any minor, editorial or technical changes that may be authorised by the Minister of Revenue;
- 4 **authorised** the Minister of Revenue to determine the date of release of the officials' issues paper.

Janine Harvey
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Carmel Sepuloni
Hon David Parker
Hon Poto Williams
Hon Stuart Nash
Hon Kris Faafoi
Hon Willie Jackson
Hon Michael Wood
Hon Dr David Clark
Hon Dr Ayesha Verrall
Hon Meka Whaitiri
Hon Phil Twyford
Dr Deborah Russell MP

Officials present from:

Office of the Prime Minister
Officials Committee for DEV