Regulatory Impact Statement: GST and joint ventures

Decision sought	Analysis produced for the purpose of informing final Cabinet decisions
Agency responsible	Inland Revenue
Proposing Ministers	Minister of Revenue
Date finalised	17 July 2025

To address problems arising under the current law relating to GST and joint ventures, it is proposed that the members of a joint venture would be allowed to individually account for GST on supplies made or received in the course of the venture under their own GST registrations. This option would be in addition to the current rules, which require registration of the joint venture separately as an unincorporated body if it is carrying on a taxable activity.

Summary: Problem definition and options

What is the policy problem?

A common practice in some industries that use joint ventures is for the members to individually account for GST on supplies made or received in the course of the venture in their own GST returns. For some joint ventures, this is the only way to claim input tax deductions (GST on goods and services purchased) because the joint venture cannot register for GST. For others, this approach reduces compliance costs. However, draft guidance published by Inland Revenue applying to unincorporated bodies (including joint ventures) considers that these practices are not correct under the current law.

Stakeholders in the affected industries do not agree with Inland Revenue's interpretation of the law and have been applying a different interpretation. However, there is general agreement that if the current law was to be enforced as per Inland Revenue's interpretation, this would create a problem for some joint ventures – namely, it would create additional costs for certain joint venture arrangements, and in some cases would be clearly inconsistent with the broader policy settings for GST. In particular, all stakeholders agree that input tax deductions should be able to be claimed for legitimate business expenditure on goods and services that will be used for making taxable supplies. From tax policy officials' and Ministers' perspectives, the view that the Inland Revenue interpretation provides the wrong policy outcome only applies to some joint ventures, and not to unincorporated bodies more generally (although some stakeholders may have a different view).

Inland Revenue's interpretation of the current law (which, to date, has been released in draft form and publicly consulted on) is unlikely to change. Therefore, in the absence of a law change, Inland Revenue would need to enforce its interpretation of the current law, which would give rise to the problems noted above.

During the period of consultation on its interpretation, Inland Revenue did some work exploring two possible non-regulatory options to allow members of joint ventures in the resources industry, where the joint venture cannot register for GST, to claim input tax deductions for joint venture expenditure under the current law. While officials consider it is likely possible to make one of these solutions work, some stakeholders say that doing so would impose significant compliance costs on them, or they do not think that either of these solutions could apply. Further, neither of the possible non-regulatory solutions would resolve the issues relating to compliance costs raised by other industries.

What is the policy objective?

Since the treatment under the current law would impose costs on businesses that use unincorporated joint venture arrangements to undertake economic activities, doing nothing would result in outcomes that are inconsistent with the broader tax policy principles of efficiency and equity. A policy solution should therefore minimise undue costs to businesses. In particular, it should ensure that input tax incurred by businesses that are parties to joint venture arrangements is not a cost to those businesses. This is on the basis that participation in a joint venture is typically undertaken as part of a member's wider business (rather than the joint venture itself being a separate enterprise in its own right). Therefore, a member's share of the joint venture costs is best viewed as a cost to the member of carrying on part of their own business. This means that input tax on joint venture costs should not be a cost to that member if the relevant inputs are used by the member to make taxable supplies.

A solution should also avoid introducing unnecessary compliance processes or tasks for taxpayers and minimise the use of Inland Revenue's administrative resources.

The intended outcome is to allow joint venturers in the resources and racing industries (and in any other affected industries) to continue with their common industry practices of individually accounting for supplies made and received in the members' own GST returns. This would achieve the objectives described above and avoid additional compliance costs on the parties concerned. At the same time, unnecessary disruption or compliance costs for joint ventures that have correctly registered for GST under the current law, and wish to continue with this practice going forward, should be avoided.

Success or failure will be primarily based on whether the change achieves these objectives.

The main indicator that will be used to determine whether the change has been successful is feedback from private sector stakeholders and Inland Revenue operational staff during and after implementation.

What policy options have been considered, including any alternatives to regulation?

The "do nothing" or status quo option would involve Inland Revenue finalising and then enforcing its interpretation of the current law. Industry participants say that members of some joint ventures would not be entitled to claim input tax deductions for expenditure on goods and services that were acquired by the joint venture as a separate person, where the joint venture cannot register for GST. This would be a change from common practices in certain industries.

Non-regulatory options that were considered early in the process consist of two possible interpretations that might apply under the current law to allow input tax deductions for joint venture expenditure. However, industry participants say these non-regulatory options would be ineffective (or only partially effective) in addressing the problem.

Ministers' preferred option is Option Three (Excluding "output-sharing" joint ventures by default; current rules apply by default to all other joint ventures with option to elect for flow-through treatment). At a high level, this would provide for a "flow-through" approach for joint ventures, that would allow the members of a joint venture to individually account for GST themselves on any supplies made or received in the course of the venture, consistent with common practices in the affected industries. This would require amending the law so that, when flow-through treatment applies, the joint venture is not an "unincorporated body" under the Goods and Services Tax Act 1985 (GST Act).

Officials' preferred option is Option Four. This is the same as Option Three except, under Option Four, the members of a "non-output-sharing" joint venture that has elected flow-through treatment would be jointly and severally liable for net GST payable on supplies and acquisitions they make jointly in the course of the venture as an added integrity measure.

What consultation has been undertaken?

Public consultation in the form of a discussion document was undertaken for six weeks in April/May 2025. Some targeted consultation on the problem was also undertaken in 2024. Before that, consultation was undertaken by Inland Revenue's Tax Counsel Office on its draft guidance on GST and members of unregistered unincorporated bodies, which was released for public consultation in March 2023.

Stakeholders in the affected industries, are opposed to a "do nothing" option that involves Inland Revenue finalising and enforcing its interpretation of the current law. The resources industry is concerned about the possible loss of input tax deductions for legitimate business expenses if Inland Revenue's draft interpretation is finalised. Stakeholders in the resources industry (and some private sector tax advisors) do not consider that the non-regulatory options are applicable to their joint ventures, or they consider that restructuring to make one of these options work would impose onerous compliance costs on the industry.

The racing industry is most concerned about the compliance costs involved in separately registering a large number of bloodstock breeding and racing joint ventures (in many cases one for each horse).

On the basis that Inland Revenue is unlikely to change its interpretation of the current law, most affected stakeholders broadly support Ministers' preferred option, which they consider would allow the industries affected to continue with their current practices. Tax policy officials and Ministers consider that Inland Revenue's current interpretation of the law provides the appropriate policy outcomes for other types of unincorporated bodies (meaning that if Inland Revenue was to change its interpretation, then this would create other problems).

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

No – Ministers prefer Option Three, but officials prefer Option Four (which is the same as Option Three except with the addition of joint and several liability for the members of a "non-output-sharing" joint venture that has opted flow-through treatment, if certain requirements are met).

Summary: Minister's preferred option in the Cabinet paper

Costs (Core information)

Outline the key monetised and non-monetised costs, where those costs fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

The costs of the proposal relative to the counterfactual are:

- The fiscal cost of GST-registered breeders and trainers who are members of racing joint ventures that cannot register for GST, and therefore could not claim any input tax deductions, being able to claim input tax deductions for joint venture costs, which is estimated to cost the Government $3.7 million per annum.
- A non-monetised cost, in the form of a potential integrity risk whereby GST-registered members of these joint ventures might incorrectly claim input tax deductions that they are not entitled to.
- If Cabinet ultimately decides not to include measures ensuring the integrity of the proposal (namely, joint and several liability, and requiring all the members of a joint venture to individually register if the joint venture is carrying on a taxable activity above the registration threshold and flow-through treatment is elected), there would be integrity risks. There would also be an additional fiscal cost from not having the total supplies rule, and not having joint and several liability would make it harder for Inland Revenue to collect outstanding GST debt on joint venture supplies when compared with the current law. All these costs are also non-monetised (the fiscal cost of not having the total supplies rule has not been estimated, and the integrity risk and impact on GST debt that may result from not having joint and several liability is not possible to quantify).

In all these cases, these costs would fall on the Crown, meaning they would be borne by taxpayers generally. This is not expected to impact on competition.

Another possible cost of the proposal is potential confusion and complexity for taxpayers who already register their joint ventures for GST and would prefer to continue with this current practice. While officials consider that this possible cost is probably unlikely to materialise or would be minimal, there is a possible argument that allowing any optionality at all reduces certainty or may increase costs for taxpayers who are accustomed to the current rules and become aware of the option without first understanding that it is merely optional, or who devote time and resources to investigating the option before concluding that their current practice would work better for them. This cost would fall on those specific taxpayers.

Benefits (Core information)

Outline the key monetised and non-monetised benefits, where those benefits fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

The benefits of the proposal over the counterfactual are:

- It avoids any potential loss of input tax deductions for the resources industry (and possibly other industries) or, alternatively, the compliance costs involved in amending their joint venture contracts to ensure they may continue to claim input tax deductions consistently with their current practice. Both these benefits are non-monetised because officials have not attempted to quantify them. However, we expect the value of input tax deductions claimed by members of joint ventures in the resources industry to be in the tens of millions or hundreds of millions of dollars each year. Ensuring input tax relief for these joint ventures would support our efficiency and equity objectives as well as the coherence of the GST system (non-monetised benefits).

- It avoids the compliance and administration costs involved in registering many bloodstock joint ventures for GST (another non-monetised benefit), as well as in registering any other joint ventures where the members would prefer not to register the joint venture for compliance cost reasons.
- Where bloodstock joint ventures are not carrying on a taxable activity, it ensures that GST-registered breeders and trainers who are members of these joint ventures and will be using the goods and services acquired by the joint venture to make their own separate taxable supplies can claim input tax deductions (thus ensuring GST is not a cost on businesses). This is a monetised benefit that is equal to the estimated $3.7 million per year fiscal cost.
- It provides both flexibility and certainty in the law going forward in relation to GST and joint ventures for the affected industries (another non-monetised benefit).

Balance of benefits and costs (Core information)

Does the RIS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?

The benefits of Ministers' preferred option appear to outweigh the costs when considering either (or both) quantitative and/or qualitative evidence. It is unclear how the benefit-cost ratio may change over time, but officials would expect the benefits to continue to outweigh costs over time, and that the benefit-cost ratio will probably remain relatively stable over time.

Implementation

How will the proposal be implemented, who will implement it, and what are the risks?

Inland Revenue will be responsible for ongoing operation and enforcement of the new arrangements. Inland Revenue is confident that the proposal can be implemented effectively and efficiently because we expect it would largely accommodate existing industry practices and, for the most part, will not require taxpayers to do anything different to what they are currently doing. Therefore, the proposal should generally not require taxpayers nor Inland Revenue to change their systems or processes. The only changes systems/processes-wise would be if integrity measures are progressed as part of the final package of policy proposals, which would require the members to be linked together in Inland Revenue's systems.

Any implementation costs arising from implementation of the new arrangements will be met from within existing baselines.

The proposals would take effect on 1 April 2026. Transitional arrangements are required in relation to joint ventures that are already registered for GST before 1 April 2026 and who want to apply flow-through treatment under the new rules once those rules are in force. Such joint ventures could apply to cancel the joint venture's registration to allow the members to individually account for GST on supplies made or received going forward. This transitional deregistration rule is proposed to be in force for up to a year after the changes take effect.

There may be some administrative costs for Inland Revenue in relation to this transitional deregistration rule over the transitional period, in terms of processing applications to cancel a joint venture's registration. However, the volume of these applications is not expected to be significant.

There are some potential implementation risks, in that different industries that use joint ventures have differing practices or interpretations in relation to GST and joint ventures (in terms of whether they tend to register, or not register, their joint ventures for GST; and, potentially, how supplies of interests in joint venture property are treated for GST purposes, etc). Therefore, there is a risk that legislating a particular approach may mean that the legislated solution may not be practical for certain industries, or at least not be consistent with current industry practices that, from a policy perspective, might not be creating any mischief (and therefore may impose compliance costs for certain industries in changing from their current practices or understanding the changes that might not be necessary or intended).

We expect that these risks have already largely been mitigated through the public consultation process, during which tax policy officials proactively contacted and in some cases met with private sector tax advisors and stakeholders representing various industries. If the proposals are progressed into legislation, a second round of public consultation will occur via the parliamentary Select Committee process, which should allow for any remaining issues to be identified and resolved before the legislation is enacted.

Inland Revenue officials will also work closely with affected stakeholders during the implementation stage. Issues arising on implementation of the changes (including any unintended consequences) can be raised with tax policy officials and considered for inclusion in a future Government taxation Bill, of which there is at least one every year.

Limitations and Constraints on Analysis

The main limitations and constraints on officials' analysis are lack of data and low certainty in many of the assumptions underpinning the analysis. One such assumption is that the joint ventures that the racing industry is concerned about (consisting of groups of bloodstock breeders co-owning a horse together with the intention of using the horse as breeding stock) are carrying on a taxable activity from the outset, and therefore can register for GST under the current law before the breeding stage commences (meaning that input tax deductions for these joint ventures are available under the current law, and therefore the issue in relation to these joint ventures is merely a compliance cost issue).

Another assumption underpinning the analysis is that if a law change was instead not progressed, members of joint ventures in the resources industry would continue to claim input tax deductions under one of the non-regulatory options.

Several other assumptions in which there is low certainty were also employed in the analysis of fiscal cost (for example, the number of racehorses in New Zealand that are co-owned; of these, what percentage currently in thoroughbred and harness racing are joint ventures rather than syndicates or partnerships; average holding costs and acquisition cost; the average share of interests in a bloodstock joint venture held by either a GST-registered breeder or a GST-registered trainer, for both thoroughbred racing and harness racing joint ventures, respectively. Some data and evidence was used to inform most of these assumptions, but they remain mere educated guesses in which there is low certainty.

We also lack evidence of the problem for other industries, but understand there is likely also an issue for the construction industry and the commercial property sector (we have heard anecdotally that joint venturers in these industries may commonly account for GST based on a flow-through approach).

Steps that were taken to address these gaps included a public consultation process and, before that, some targeted consultation with certain industries. During the public consultation process, officials proactively contacted some stakeholder groups in an attempt to maximise the chances of receiving submissions from them.

Ultimately, tax policy officials are of the view that none of these are such major constraints on the analysis that Cabinet cannot make an informed decision. It is clear there is a policy issue regarding "output-sharing" joint ventures used in the resources industry and other industries (as input tax deductions clearly should be available for this expenditure), even if we do not know the value of the input tax deductions that may be affected, or exactly how likely it is that these input tax deductions would be lost under the counterfactual. In any case, we know that the value of these input tax deductions is likely to be significant, and that requiring members of joint ventures to amend their joint venture contracts under one of the non-regulatory options for them to continue claiming input tax deductions would impose compliance costs on them.

In the case of bloodstock joint ventures specifically, the compliance cost issue will at least arise if and when the breeding stage commences (if not at the outset when the horse is acquired) – this is because horse breeding, if it commences, is almost certainly a taxable activity. Therefore, the compliance cost issue for bloodstock joint ventures also appears to be a real issue, even if there is low certainty that these joint ventures are in fact carrying on a taxable activity from the outset as the industry claims.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager signature: s 9(2)(a)

Graeme Morrison

Policy Lead

17 July 2025

Quality Assurance Statement	
Reviewing Agency: Inland Revenue	**QA rating:** Meets
Panel Comment: Inland Revenue's RIA QA Panel has reviewed the *Regulatory Impact Statement: GST and joint ventures* and considers that the information and analysis summarised in the RIA **meets** the quality criteria of the Regulatory Impact Analysis framework.	

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

1. A common practice in some industries where joint ventures are used is for participants in a joint venture to individually account for GST on supplies of goods and services made or received in the course of the venture in their own GST returns. This often reflects the commercial reality that the joint venture is undertaken as part of each participant's wider business.

2. Draft guidance published by Inland Revenue considers that these practices are not correct under the current rules for unincorporated bodies, which apply to joint ventures. The current rules treat an unincorporated body as a separate person for GST purposes, similar to a company, and require that the body and not the members be registered for GST. While this tax setting provides the correct policy outcome for other types of unincorporated bodies (such as trusts or partnerships), it gives rise to problems for certain types of joint ventures.

3. When a joint venture is not carrying on a taxable activity, this interpretation means that GST on goods and services acquired by the joint venture cannot be claimed back as an input tax deduction by any person under the current law. This applies even when the goods or services are directly used for making taxable supplies by GST-registered members of the joint venture in their separate taxable activities. For instance, this issue may arise when the participants in the venture share in the output or product of the venture and each sell their share of the output or product separately (referred to as an "output-sharing joint venture"), which is a common practice in the resources industry, and potentially in other industries such as the construction industry.

4. Even when a joint venture is carrying on a taxable activity, requiring the joint venture to register instead of the members may in some instances increase overall compliance costs. This may be the case if the joint venture members are individually registered for taxable activities that they each carry on separately, especially if some of them are also participants in many joint ventures.

5. If the Government decides not to progress a policy change, it is expected the status quo will change as a result of Inland Revenue finalising and enforcing its draft guidance. This would mean that members of certain types of joint ventures would either lose access to input tax deductions for joint venture costs, or incur compliance costs in amending their joint venture contracts to ensure that their current practices in relation to claiming input tax deductions may continue.

6. Other joint ventures that have not registered for GST for compliance cost reasons (despite being able to register for GST) would have to register in order to claim input tax deductions going forward.

What is the policy problem or opportunity?

7. GST is designed to tax consumption occurring in New Zealand (meaning it is a tax on the final consumer of goods and services). It is not designed to be a tax on businesses. One of the ways the GST policy framework achieves its purpose of taxing final consumption only is by allowing GST-registered businesses to claim deductions for GST they incur when they purchase goods and services for their taxable activity (referred to as "input tax deductions").

8. The GST Act requires unincorporated bodies that are carrying on taxable activities to register for GST if they supply or expect to supply goods or services worth more than $60,000 in a 12-month period. The definition of "unincorporated body" in the GST Act includes a joint venture.

9. Inland Revenue has consulted on draft guidance, which outlines that when an unincorporated body is not registered for GST (which may be because it is not carrying on a taxable activity, or because its supplies are under the registration threshold), the current law does not allow members to register individually for the body's activities and claim input tax deductions for goods and services acquired by the body.

10. This is the correct policy outcome for most unincorporated bodies. However, joint ventures have unique features that mean the current rules may not work well for them. In particular, joint ventures are usually not formed to carry on an entirely separate undertaking. Instead, the parties involved often carry on a business of their own separately from the other participants, with their participation in the joint venture often being for the purpose of, or an extension of, that separate business.

11. Multiple industries use joint ventures, often to undertake large projects. The resources industry is one example of an industry that makes extensive use of joint ventures. However, those joint ventures often cannot register because the members sell the outputs separately.

12. For example, oil and gas participants often come together using an unincorporated joint venture structure to explore for resources and extract them. However, anti-cartel provisions in the Commerce Act 1986 require that the resources are not sold jointly by the participants. This means that many oil and gas joint ventures (and potentially some mining or quarrying joint ventures) are not carrying on a taxable activity, and cannot register for GST, because the joint ventures do not make any supplies of goods or services. Therefore, under the status quo if no action is taken, either:

    a. input tax deductions with a significant value, relating directly to the sale of the members' shares of the extracted resources, would be denied, or

b. members of these joint ventures would incur compliance costs in amending their joint venture contracts, merely to be able to continue with their current practices.

13. Anecdotally, some joint ventures used in the construction industry may have the same problem as unincorporated joint ventures used in the resources industry. However, officials were unable to confirm this during the public consultation process.

14. As noted, even when a joint venture is carrying on a taxable activity (and is therefore able to register), requiring the joint venture to register instead of the members may, in some instances, increase overall compliance costs.

15. To spread risk, horse racing industry professionals (such as bloodstock breeders) often use a different ownership structure for each individual horse, creating a separate joint venture. In many cases, the members of these joint ventures each carry on a separate breeding business and are individually GST registered.

16. Based on industry estimates, out of roughly 14,400 horses owned by breeders as breeding stock, approximately 6,500 are co-owned under this joint venture model. Requiring each of these joint ventures to register separately would therefore affect an estimated 45% of the total breeding stock in New Zealand, potentially resulting in approximately 6,500 additional GST registrations. GST-registered breeders in these joint ventures would much prefer to reduce compliance costs by individually accounting for supplies and purchases in their own GST returns, rather than separately registering each joint venture.

17. Stakeholders in the affected industries do not agree with Inland Revenue's interpretation of the law and have been applying a different interpretation. However, there is general agreement that if the current law was to be enforced as per Inland Revenue's interpretation, this would create a policy problem necessitating a law change.

18. In particular, all stakeholders agree with policy officials and Ministers that input tax deductions should be able to be claimed for legitimate business expenditure on goods and services that will be used for making taxable supplies, consistent with GST principles.

19. In discussions with officials or in their submissions, some submitters were more sceptical of the compliance costs issue/argument for certain joint ventures that can register for GST under the current law but would prefer not to. These submitters tended to be accountants with clients in industries that tend to always register their joint ventures for GST (such as forestry), who considered that the current GST rules are appropriate and are working well.

20. While the likes of forestry and infrastructure joint ventures would be able to elect for flow-through treatment under the proposal, based on feedback received through the consultation process it does not appear that joint venturers in these industries would be likely to do so. This because flow-through treatment for these joint ventures (which are clearly carrying on a taxable activity) would likely be more complex (and therefore involve more compliance costs) than the current GST rules. On this basis, the policy problems are unlikely to disproportionately affect any population groups (such as Māori/iwi, for instance, who hold significant forestry interests). There are not any special factors (such as obligations in relation to Te Tiriti o Waitangi, human rights issues, or constitutional issues) involved.

What objectives are sought in relation to the policy problem?

21. A solution to the policy problems should ensure that input tax incurred by businesses that are parties to joint venture arrangements, specifically on goods and services that are used to make taxable supplies, is not a cost to those businesses. It should also avoid introducing unnecessary compliance processes or tasks for taxpayers, and minimise the use of Inland Revenue's administrative resources.

22. The solution should provide certainty for the affected taxpayers by making it clear how the rules for GST and joint ventures will apply going forward. Where necessary, the solution should be compatible with the existing regulatory framework in the GST Act for unincorporated bodies, and avoid unnecessary disruption for joint ventures that have correctly registered for GST under the current law and want to continue with this practice.

What consultation has been undertaken?

23. Public consultation in the form of a discussion document was undertaken for six weeks in April/May 2025. Submitters on the discussion document included private sector tax advisors, tax and business advocacy groups, and the racing and breeding industry. Officials also met with several stakeholders during or shortly after the consultation period, including some of those that submitted on the discussion document and some other interested stakeholders.

24. Some targeted consultation on the problem with representatives of the resources and racing industries was also undertaken in 2024. Before that, consultation with representatives of these industries and private sector tax advisors was undertaken by Inland Revenue's Tax Counsel Office on its draft guidance on GST and members of unregistered unincorporated bodies, which was released for public consultation in March 2023.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

25. We have used the following criteria to assess the options against our objectives:

    a. **Compliance costs:** Does the option avoid the imposition of unnecessary compliance costs on taxpayers? Are the proposed rules clear and simple for taxpayers to apply?

    b. **Administration costs:** Does the option minimise the use of Inland Revenue's resources?

    c. **Horizontal equity and fairness:** Does the option treat taxpayers who are in a similar position to one another equally?

    d. **Efficiency:** Does the option minimise impediments to economic growth and avoid distortions to taxpayer decisions?

    e. **Coherence:** Does the option make sense in the context of New Zealand's GST framework?

    f. **Sustainability and integrity:** Is the option future-proofed? Will the option be able to apply without the need for further regulatory change? Does the option safeguard against possible integrity risks and ensure that the proposal is not likely to lead to revenue leakage?

What scope will options be considered within?

26. The scope of the problem definition, and therefore the scope of feasible options, has been limited by previous policy decisions. For instance, some stakeholders have suggested that GST-registered members of other types of unincorporated bodies, such as partnerships, should also have flow-through treatment for GST purposes. However, Ministers have decided to limit the scope of feasible options to only those applying to joint ventures and not other types of unincorporated bodies. Officials also consider that the current law is appropriate for unincorporated bodies that are not joint ventures and provides the correct policy outcomes.

27. In other types of unincorporated bodies, it is much clearer that the members are engaged in a managed joint undertaking, as opposed to the type of limited cost-sharing exercise that a joint venture can be engaged in. Therefore, for non-joint venture unincorporated bodies, it is appropriate for registration to be considered, and supplies of goods and services to be taxed, at the unincorporated body level rather than at the member level. It is also more likely to be the case that a single registration will result in compliance cost savings in these circumstances.

28. Non-regulatory options that were considered early in the process consist of two possible arrangements under the current law that may allow input tax deductions for joint venture expenditure:

    a. **Joint ventures used in the resources industry can register for GST because they are treated as making supplies to their members:** There is an argument that the joint ventures, which are treated as separate persons for GST purposes under current law, may be treated as supplying services to their members, for which the members provide consideration (in the form of contributions to fund the joint venture activity). If this is correct, the joint ventures (as separate persons to their members) could register and claim input tax deductions, and the members could claim input tax deductions for the services they receive from the joint venture.

    b. **"Agency solution":** Alternatively, there is an argument that the joint ventures used in the resources industry could be said to acquire inputs (goods and services) for the members as an agent. If this is correct, the goods and services are treated as having been acquired by the members for GST purposes, in which case the members can claim input tax deductions individually as per their current practice. However, some resources industry stakeholders do not consider it is sufficiently clear under their existing contracts that such a principal–agent relationship exists. They are of the view that, to put this beyond doubt, the joint venture contracts would need to be amended.

29. Both these options have been ruled out because stakeholders say they would be ineffective (or only partially effective) in addressing the problem.

30. In addition, neither of these options address the compliance cost concerns raised by the racing industry. Ministers have instructed that they also want this policy problem resolved. A policy option that would consist of legislating non-regulatory option a) above has also been ruled out for this reason.

31. Other options that were ruled out by Ministers' commissioning include limiting the scope of the flow-through proposal to "output-sharing" joint ventures or to only those joint ventures that are not carrying on a taxable activity and therefore cannot register for GST. Again, this is mainly because these options would not address the compliance costs issue for certain joint ventures that can register.

Was relevant experience from other countries considered when settling the scope for options identification?

32. Overseas approaches have been considered in settling the scope for options identification.

33. The default rule under Option Two outlined below is the same as the approach applied in the UK and Ireland with their Value-Added Tax (VAT) rules, except Option Two also departs from the UK/Ireland framework by allowing joint ventures that are carrying on a taxable activity to register for GST if the members prefer. The optional registration approach under Option Two is intended to preserve unincorporated body treatment for joint ventures in situations when having the joint venture register (instead of the members individually registering) minimises compliance costs. This approach is somewhat similar to Canada and Australia's GST rules, although their rules allowing a form of optional "single entity" treatment for certain types of joint ventures (that cannot register for GST under their rules) are more like GST grouping rules than New Zealand's unincorporated body rules.

34. Option Three is similar to Option Two, except under Option Three, the current GST rules would apply to most joint ventures by default (the reverse of how it works in many other overseas jurisdictions), being those joint ventures where the members make supplies jointly.

35. A "pure" UK/Ireland-type approach (that is, excluding joint ventures from being unincorporated bodies altogether) was ruled out on the basis it would be too disruptive for existing arrangements and would likely impose unnecessary compliance and administration costs in relation to deregistering joint ventures that had already registered (specifically in cases where the members of the joint venture would prefer to keep the joint venture's registration). Such an approach would also be likely to have higher compliance and administration costs more generally, as it would mean multiple registrations instead of a single registration including when the joint venture would be required or able to register for GST under the current law.

36. An approach based on flow-through treatment by default but with special grouping rules for members of joint ventures (similar to Canada's and Australia's rules) was also ruled out due to time constraints, because it would be too disruptive for joint ventures that are already GST-registered, and because officials were unsure what the benefit of this approach over Option Two would be. Timing-wise, either Option Two or Option Three could be implemented relatively quickly and easily. An alternative option that includes special grouping rules for joint ventures would require more time and in-depth analysis and research to design.

What options are being considered?

Option One – Status Quo

37. Under Option One, there would be no policy change. Instead, Inland Revenue would finalise and then enforce its draft interpretation of the current law. For joint ventures that are not carrying on a taxable activity, including output sharing joint ventures that do not make any supplies, this means that going forward, either:

   a. input tax deductions for joint venture costs would be denied, or

   b. members of these joint ventures would need to restructure their arrangements to one that would allow them to continue with their current practice (such as one of the non-regulatory options discussed above). In the specific case of the resources industry, this would likely require the joint venture contracts to be amended.

38. Joint ventures that are carrying on a taxable activity but are not registered for GST would need to register if they make supplies of goods and services worth more than $60,000 in a 12-month period. Those below the $60,000 registration threshold would also need to register in order to enable input tax recovery for joint venture costs.

Option Two – Joint ventures excluded from unincorporated body rules by default

39. Under Option Two, the law would be amended to exclude joint ventures from the unincorporated body rules in the GST Act by default (so that they would not be “persons” for GST purposes). However, members of a joint venture who are jointly carrying on a taxable activity may elect for unincorporated body treatment and register the joint venture for GST (consistent with the treatment applying under the current law), if they unanimously agree to do so.

40. Transitional rules would apply to joint ventures that were already registered for GST before the application date. The transitional rules would preserve the unincorporated body status of these joint ventures, except when they elect out of unincorporated body treatment by applying to the Commissioner of Inland Revenue to have their GST registration cancelled.

41. The ability for a GST-registered joint venture to elect out of unincorporated body treatment would only be available to joint ventures that had registered for GST before the application date, and only on a time-limited basis (after the expiry of a 12-month transitional period, unincorporated body treatment would be irrevocable).

42. If the members of a joint venture carry on a taxable activity jointly and make joint supplies over the $60,000 registration threshold, a “total supplies” rule would provide that either:

   a. all the members of the joint venture must individually register for GST, or

   b. the members must register the joint venture for GST as a separate person.

Option Three – Output-sharing joint ventures excluded from unincorporated body rules by default; current rules apply by default to other joint ventures

43. Under Option Three, the law would be amended to exclude “output-sharing” joint ventures from the unincorporated body rules in the GST Act by default (so that these specific joint ventures would not be “persons” for GST purposes). Other types of joint ventures (where the members make supplies jointly) would apply the current

unincorporated body rules by default, but could elect for flow-through treatment. If flow-through treatment is elected, the joint venture would not be an unincorporated body under the GST Act.

44. Similar to the transitional deregistration rule under Option Two, joint ventures that were already registered for GST before the application date that want to elect for flow-through treatment would do so by applying to cancel the joint venture's registration within the 12-month period starting on the application date.

45. Also similar to Option Two, if the joint venture is carrying on a taxable activity and making supplies over the $60,000 registration threshold (or would be under unincorporated body treatment), a total supplies rule would provide that either:

    a. the joint venture must register for GST as a separate person, or

    b. all the members of the joint venture must individually register for GST.

Option Four – Output-sharing joint ventures excluded from unincorporated body rules by default; current rules apply by default to other joint ventures + joint and several liability for non-output-sharing joint ventures that elect flow-through treatment

46. This option is the same as Option Three except, as an added integrity measure, joint and several liability (which currently applies to all unincorporated bodies) would apply to the members of non-output-sharing joint ventures (in respect of GST payable on joint venture supplies) even if flow-through treatment has been elected. Under flow-through treatment, joint and several liability would apply in the same circumstances as the total supplies rule outlined in the above description of Option Three.

How do the options compare to the status quo/counterfactual?

	Option One – Status Quo	Option Two – Joint ventures excluded from unincorporated body rules by default	Option Three – Output-sharing joint ventures excluded from unincorporated body rules by default; current rules apply by default to other joint ventures	Option Four – Output-sharing joint ventures excluded from unincorporated body rules by default; current rules apply by default to other joint ventures + joint and several liability
Compliance costs	0	+ Members of existing joint ventures that individually account for GST in their own returns would have reduced compliance costs compared with the status quo option. There may be higher compliance costs for members of some new joint ventures who would prefer to register the joint venture separately (because that would minimise their compliance costs) but are unsure they can under the new rules, or they cannot unanimously agree with the other members to elect the joint venture as an unincorporated body. Under flow-through treatment, there would be higher compliance costs for smaller joint venture members (who otherwise would not be liable to register) than under the status quo, due to the total supplies rule	+ Same compliance cost savings as option two for output-sharing joint ventures. Having the current GST rules apply by default also avoids compliance costs specifically arising under option two for joint venturers that prefer to register their joint ventures separately. However, this option has higher compliance costs than option two specifically for non-output-sharing joint ventures that want to apply flow-through treatment (because they must specifically elect for flow-through treatment). Under flow-through treatment, there would be higher compliance costs for smaller joint venture members than under the status quo due to the total supplies rule	+ Very similar to option three, except joint and several liability may involve further compliance costs for non-output-sharing joint ventures that elect for flow-through treatment

	Option One – Status Quo	Option Two – Joint ventures excluded from unincorporated body rules by default	Option Three – Output-sharing joint ventures excluded from unincorporated body rules by default; current rules apply by default to other joint ventures	Option Four – Output-sharing joint ventures excluded from unincorporated body rules by default; current rules apply by default to other joint ventures + joint and several liability
Administration costs	0	+ Inland Revenue would not have to deal with potentially up to 6,500 applications for registration from bloodstock joint ventures. There would be minor costs of processing applications for deregistration by joint ventures that were already GST-registered before the application date where those joint venture decide to deregister for flow-through treatment	+ Largely the same administrative costs and administrative cost savings as under option two, except reversing the default treatment may make it less likely that non-output-sharing joint ventures outside of the racing industry would opt for flow-through treatment, which may decrease administration costs compared with option two. This option would also be better than option two in terms of more efficiently reviewing compliance by members of joint ventures that have elected flow-through treatment (due to the information provided when non-output-sharing joint ventures elect for flow-through treatment). However, this option would be more resource intensive during the initial implementation phase, due to the need to process elections (which would not arise under option two because flow-through treatment would apply by default to all joint ventures)	+ Similar to option three, except this option may have further administrative cost savings due to the inclusion of joint and several liability (such as making it easier for Inland Revenue to collect outstanding GST, and making it even less likely than under option three that non-output-sharing joint ventures outside of the racing industry would opt for flow-through treatment)

	Option One – Status Quo	Option Two – Joint ventures excluded from unincorporated body rules by default	Option Three – Output-sharing joint ventures excluded from unincorporated body rules by default; current rules apply by default to other joint ventures	Option Four – Output-sharing joint ventures excluded from unincorporated body rules by default; current rules apply by default to other joint ventures + joint and several liability
Horizontal equity and fairness	0	+ Wouldn't result in loss of input tax deductions for legitimate business expenditure; nor would it impose additional compliance costs for joint venturers to continue claiming input tax deductions as per their current practices (which otherwise may arise under the status quo). Inclusion of the total supplies rule ensures that taxpayers who carry on taxable activities through joint venture structures are not advantaged relative to those operating as partnerships. However, flow-through by default could have unintended consequences for members of non-output-sharing joint ventures that would prefer to register their joint ventures	++ Same equity and fairness benefits as option two. Reversing the default for non-output-sharing joint ventures should ensure there are no unintended consequences for members of non-output-sharing joint ventures that would prefer to register their joint ventures	++ Same equity and fairness benefits as option three. Inclusion of joint and several liability might be considered unfair by members of non-output-sharing joint ventures that apply flow-through treatment (or would want to apply flow-through treatment if joint and several liability was not included), as they may compare their situation to that of GST-registered persons more generally who are registered in relation to a business of their own that they carry on (for which they are responsible for their own GST obligations). However, others may perceive this option as fairer than option three because members of "flow-through" joint ventures would not have more favourable treatment in relation to joint and several liability when compared with members of other types of unincorporated bodies such as partnerships and trusts (who would not be able to elect for flow-through treatment and would always be jointly and severally liable for the body's GST obligations)

	Option One – Status Quo	Option Two – Joint ventures excluded from unincorporated body rules by default	Option Three – Output-sharing joint ventures excluded from unincorporated body rules by default; current rules apply by default to other joint ventures	Option Four – Output-sharing joint ventures excluded from unincorporated body rules by default; current rules apply by default to other joint ventures + joint and several liability
Efficiency	0	+ More efficient than status quo in relation to output sharing joint ventures and bloodstock joint ventures (by ensuring the GST rules do not impede economic growth in these contexts, and that they do not disadvantage the New Zealand breeding industry's competitive position with Australia). However, there may be unintended consequences for other types of non-output-sharing joint ventures, including a small risk that negotiations in forming a joint venture may be hindered if the parties disagree on whether they want to register the joint venture under the current rules or apply flow-through treatment	++ Has same efficiency benefits as option two, but should avoid most of the possible disruption and unintended consequences for members of non-output-sharing joint ventures who would prefer to have their joint ventures register. There is still a hypothetical risk that negotiations in forming a joint venture may be hindered if the parties cannot agree, but this is expected to be very low	+ Similar to option three, except the inclusion of joint and several liability may mean that the efficiency benefits of the proposal are not fully realised if joint and several liability means that the proposed flow-through treatment is less attractive to taxpayers, or is much less likely to reduce their compliance costs
Coherence	0	- More coherent than status quo where output sharing joint ventures are concerned. At odds with general GST framework for unincorporated bodies as far as other types of joint ventures are concerned (generally it makes most sense to treat a single supply made by a group of persons carrying on an activity with a common purpose as a supply made by a single person and tax it accordingly, rather than treat the supply as multiple supplies)	0 More coherent than status quo where output sharing joint ventures are concerned. Allowing flow-through treatment at all for other types of joint ventures might be seen as inconsistent with the general GST framework for unincorporated bodies, but at least the current unincorporated body rules would apply to those joint ventures by default	0 Much the same as option three on this criterion

	Option One – Status Quo	Option Two – Joint ventures excluded from unincorporated body rules by default	Option Three – Output-sharing joint ventures excluded from unincorporated body rules by default; current rules apply by default to other joint ventures	Option Four – Output-sharing joint ventures excluded from unincorporated body rules by default; current rules apply by default to other joint ventures + joint and several liability
Sustainability	0	+ Expected to be more sustainable than letting the status quo develop and doing nothing in response. Also likely to be seen as the fairest option for taxpayers affected by the current policy problems, and its flexibility should ensure that it accommodates different arrangements and circumstances. However, it does risk unintended consequences for members of non-output-sharing joint ventures who would prefer to have their joint ventures register under the current rules. There are also integrity risks with not having joint and several liability apply to the members of a non-output-sharing joint venture that elects flow-through treatment	++ Similar to option two, but it should avoid unintended consequences for members of non-output-sharing joint ventures who would prefer to have their joint ventures register	++ Similar to option three, but it should more effectively mitigate integrity risks with having flow-through treatment apply to some non-output-sharing joint ventures
Overall assessment	0	+ Better than the status quo on most of the evaluation criteria above, but not much better for most of these	+ Better than the status quo on most of the evaluation criteria above, but not much better on half of the criteria	+ Better than the status quo on most of the evaluation criteria above, but not much better on half of the criteria

Key:

++	much better than doing nothing/the status quo/counterfactual
+	better than doing nothing/the status quo/counterfactual
0	about the same as doing nothing/the status quo/counterfactual
-	worse than doing nothing/the status quo/counterfactual
- -	much worse than doing nothing/the status quo/counterfactual

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

47. Based on the analysis above, **Option Three – Output-sharing joint ventures excluded from unincorporated body rules by default; current rules apply by default to other joint ventures** is likely to best address the problem, meet most of the policy objectives and deliver the highest net benefits. The key assumptions underlying this cost benefit analysis are that, outside of the resources industry, the racing industry, and possibly the construction industry, most joint ventures would generally be carrying on a taxable activity (meaning they can register for GST) – and, not only can most of these joint ventures register for GST as unincorporated bodies, but it is generally most appropriate for them to be unincorporated bodies under the GST Act for both revenue/integrity reasons and compliance and administration cost minimisation purposes.

48. Another key assumption is that, if the default is set as flow-through treatment (as in Option Two), overcoming the default might in some cases be problematic or difficult for some joint venture members who would prefer that the joint venture register.

49. The benefits of the preferred option appear to outweigh the costs when considering either (or both) quantitative and/or qualitative evidence. It is unclear how the benefit-cost ratio may change over time, but officials would expect the benefits to continue to outweigh costs over time and the benefit-cost ratio to remain stable over time.

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

50. Ministers' preferred option in the Cabinet paper is not the same as Inland Revenue's preferred option in this RIS. Ministers prefer Option Three, while Inland Revenue prefers Option Four.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups	One-off costs associated with deregistration of some joint ventures for the members to instead apply flow-through treatment (where joint ventures that are already GST-registered decide to apply the transitional deregistration rule, which they would presumably only do if the ongoing benefits to them outweigh the cost).	Low	Medium
Regulators	Combined implementation and ongoing administration costs over the period 2025/26 to 2027/28. All these costs are operating costs.	$410,000	Medium (Inland Revenue has a reasonable estimate of the administrative costs, informed by past experience with implementing similar changes)
Others (eg, wider govt, consumers, etc.)	Reduction in GST revenue from increased input tax deduction claims (compared with finalising and enforcing Inland Revenue's	$3.7 million per annum	Low (the overall order of magnitude is considered reasonable but the estimate of fiscal cost required assumptions

	interpretation of the current law).		with no supporting data)
Total monetised costs		$4.11 million per annum	
Non-monetised costs		Low	
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Compliance cost reduction compared with status quo option; prevention of possible loss of input tax deductions for expenditure on joint venture costs for members of "output sharing" joint ventures.	High. Up to 6,500 bloodstock joint ventures would attempt to register for GST if the law is not changed, which would increase compliance burdens in relation to filing GST returns for each of these joint ventures if they successfully register. The compliance costs of amending joint venture contracts for "output sharing" joint ventures under an agency solution (if the law is not changed) are understood (based on what the oil and gas industry has said) to be significant, and the amount of input tax at stake would be very significant	Medium for bloodstock joint ventures (6,500 figure based on numbers and analysis provided by the racing industry) Low for other industries (officials do not have data on the number of joint ventures in the resources and construction industries that may be affected, nor on the amount of input tax deductions at stake, but it is clear that the amount of input tax would be significant)
	Increase in input tax deductions for GST-registered breeders and trainers who are members of racing joint ventures that cannot register under the current law.	$3.7 million per annum	Low (fiscal costing based on myriad assumptions in which there is low certainty)
Regulators	Inland Revenue would not have to deal with potentially up to 6,500 applications for registration from	Medium	Medium (6,500 figure based on numbers and analysis provided by the racing industry)

	bloodstock joint ventures.		
Others (eg, wider govt, consumers, etc.)	-	-	-
Total monetised benefits		$3.7 million per annum	
Non-monetised benefits		High	

Section 3: Delivering an option

How will the proposal be implemented?

51. The preferred option (**Option Three – Joint ventures excluded from unincorporated body rules by default; option to register joint venture if it is carrying on a taxable activity**) would require amendments to the GST Act. Inland Revenue would be responsible for the implementation and administration of the new rules.

52. Inland Revenue operational staff, particularly those specialising in or regularly dealing with GST, as well as staff in Inland Revenue responsible for systems design and implementation, have been consulted and had input into the design. The systems design and implementation team is confident the proposed solution can be implemented effectively and efficiently. Any implementation costs arising from implementation of the new arrangements will be met from within existing baselines.

53. The necessary legislative amendments would be included in the next omnibus taxation Bill, scheduled for introduction in August 2025, with the changes taking effect on 1 April 2026 shortly after the expected enactment of the Bill in March 2026.

54. The usual guidance on the changes would be published in an Act commentary on the Inland Revenue Tax Policy website and in a *Tax Information Bulletin* shortly after any changes were enacted.

55. There is also existing guidance on GST and unincorporated bodies which would need to be updated.

56. Implementation risks are relatively low because the proposed solution is expected to be largely consistent with affected taxpayers' current practices and has been subject to a public consultation process during which tax policy officials heard from or met with tax and business advocacy groups, the horse racing and breeding industry, and accounting and law firms specialising in taxation.

57. The main issue is that the lack of joint and several liability for members of non-output-sharing joint ventures that elect flow-through treatment might create integrity risks (including driving potential behavioural changes by taxpayers, in terms of incentivising them to use unincorporated joint venture structures over other business/unincorporated body forms such as partnerships). It may also increase risks of non-collection of GST debt in cases where such joint ventures opt for flow-through treatment and a member defaults on their share of the GST payable.

58. To the extent possible and subject to the Commissioner of Inland Revenue's future decisions around the use of Inland Revenue resources, these risks will be monitored by Inland Revenue compliance staff using information that will be collected when processing flow-through elections to track resulting non-compliance and/or cases where Inland Revenue was unable to collect outstanding GST from a joint venture member on their share of the joint venture supplies.

59. Feedback received from public consultation also suggested that, when flow-through treatment is elected, smaller joint venture members would have higher compliance costs than under the status quo, mainly as a result of the total supplies rule if those members would otherwise not be liable to register. The same result of some smaller joint venture members having to register under flow-through treatment (when they otherwise would not need to) could also arise if they are carrying on another small taxable activity and their total supplies made in the course or furtherance of all taxable activities they carry on (including the joint venture activity) add up to more than $60,000 in a 12-month period.

How will the proposal be monitored, evaluated, and reviewed?

60. Inland Revenue regularly reviews tax settings and provides advice and updates to the Government accordingly. Policy officials maintain strong communication channels with stakeholders in the tax advisory community as well as with operational staff in Inland Revenue. Policy officials have also established contacts with stakeholders in the affected industries through prior consultation on the issues. All these stakeholders will be able to correspond with policy officials about the operation of the new rules at any time. Processes also exist within Inland Revenue for referring policy issues, and formal referrals are tracked in an issues log.

61. Inland Revenue has an increased focus on GST debt management. Any integrity issues resulting from the proposed changes could be identified as part of Inland Revenue's work on monitoring GST debt and managed if necessary. This could include referral to tax policy officials if allowing flow-through elections by non-output-sharing joint ventures is found to be a contributing factor to an increase in GST debt, or if more general integrity concerns arise.

62. If problems emerge, they will be dealt with either operationally, or by way of legislative amendment if agreed by Parliament.