

## Zero-rating of tooling costs to non-residents

This factsheet explains the change allowing the zero-rating of tooling costs to non-residents.

### What is the change?

New Zealand manufacturers can zero-rate the supply of tools if the tools are:

- used in New Zealand solely to manufacture goods that will be exported, and
- supplied to a non-GST registered non-resident.

The type of tools includes jigs, patterns, templates, dies, punches and similar machine tools.

The tools don't have to be exported with the goods to be zero-rated, but can't be used to manufacture goods that will be supplied in New Zealand

This change takes effect from 1 April 2014.

### What this means for you

You'll need to keep details of the tools used solely for non-residents separate from tools used for both New Zealand and non-resident customers.

The income from the tools will be recorded and shown in your GST return as zero-rated along with the income from the exported goods.

You may need to adjust any accounting programs you use that shows the income separately.

### Example

Acme International (a non-resident entity not registered in New Zealand) orders specific items of machinery from Machines4U (a New Zealand manufacturer that is GST registered). Machines4U also manufactures specialised jigs required in the manufacture of the machinery.

Machines4U completes the job and exports the machinery to Acme International, but the specialised jigs used in the manufacture remain in New Zealand. The jigs won't be used to build machinery for any New Zealand customers.



Machines4U charges Acme International for the machinery and for the specialised jigs used solely to manufacture the goods.

From 1 April 2014 the amount charged for the specialised jigs will also be zero-rated, as the tools were solely used to manufacture exported goods.

Prior to 1 April 2014 the amount charged for the sale of the machinery was zero-rated (because it was exported). However, the amount charged for the specialised jigs would have had GST charged at 15% as these tools remained in New Zealand.