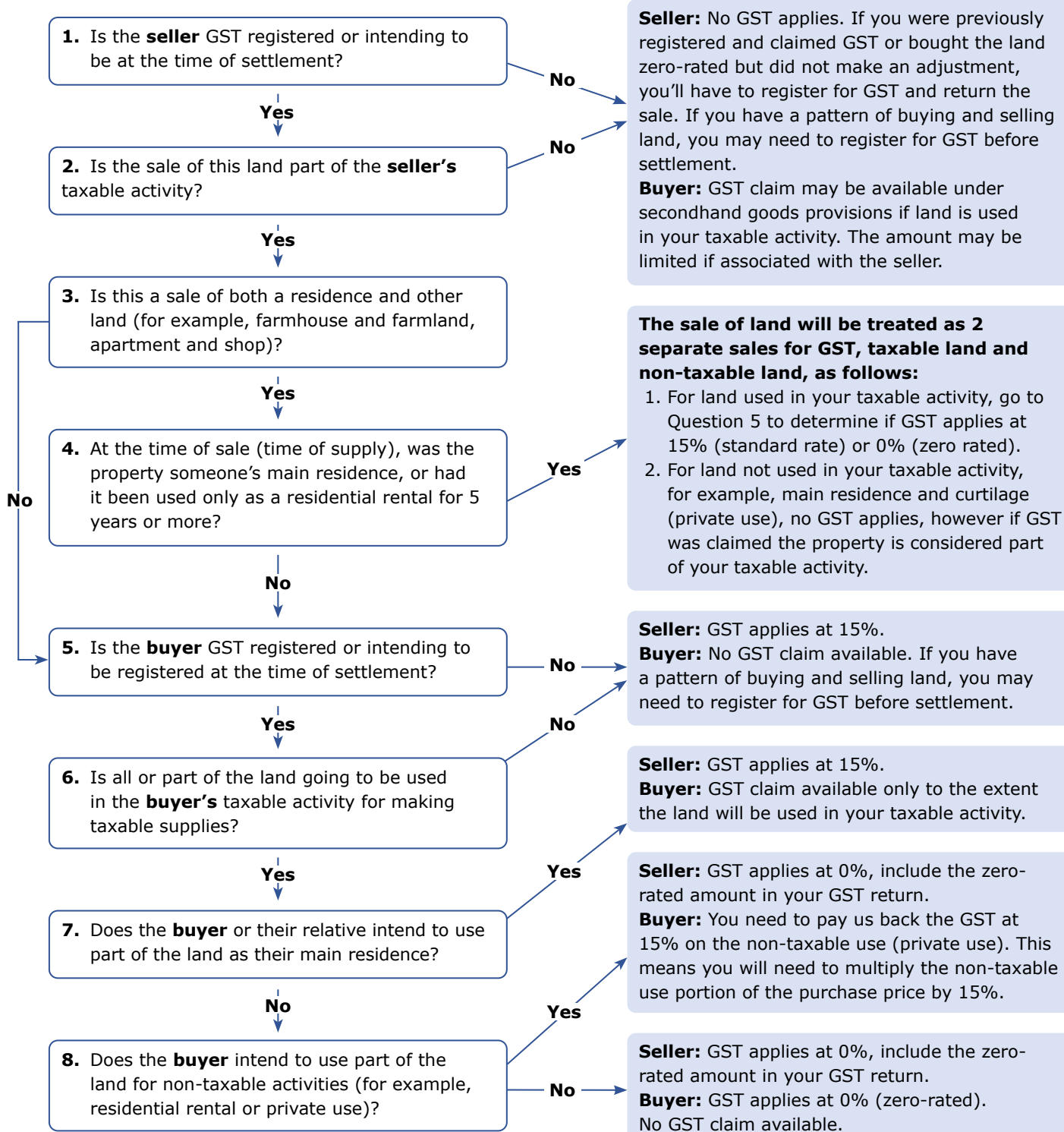


GST on property transactions

- Are you buying or selling land? This flowchart gives you a general overview of the GST rules.
- Our online tool will help you work out if you need to pay GST when buying or selling land, go to ird.govt.nz/gst-property
- If you're buying or selling property, make sure the agreement for sale and purchase of real estate with all schedules and attachments is completed correctly.
- We recommend you seek advice from a tax advisor before you sign the paperwork.



Notes that will help you work through the flowchart

When you're buying and selling land, make sure you know what your tax obligations will be and if GST applies to your situation. There are different GST rates that may apply.

If you buy a property for long-term residential rental, you cannot claim GST. If you incorrectly register for GST and claim GST on the purchase of the property, you will be liable to repay the GST claimed or potentially an even higher market-value GST amount.

Terms we will use as we ask about your circumstances

Buyer - This can include nominees. A nominee is where the buyer directs the seller to transfer the property to another person who has been nominated.

Curtilage - Land surrounding the residence. Generally, no GST applies to this or the residence. However, if the seller has claimed GST on the residence or curtilage (including a residence that may have been purchased zero-rated), GST may apply.

Land - This can also include buildings or structures fixed to the land.

Main residence for GST - The place a person lives (occupies) as their main residence. Also known as a person's 'principal place of residence'. For zero-rating purposes, the principal place of residence is intended to indicate land used by its owner or their relatives as their main place of residence.

Non-taxable land - Land (private or not) used for a purpose other than making taxable supplies (for example, residential rental supplies).

Private - The portion of goods and services used for personal, non-business purposes. If the residence and curtilage is used privately, you must apportion the GST amount and claim only to the extent it will be used in your taxable activity.

Relative - A spouse (including in a civil union or de facto relationship), child, or parent.

Secondhand goods - Goods previously used by someone else, including land. If you're GST registered and buy land from someone that is not GST registered, you may be able to claim GST based on the amount paid for the land.

If you're associated to the seller, the GST claim will be based on the lesser of:

- the seller's original purchase price
- the buyer's purchase price
- the open market value.

Taxable activity - A continuous or regular activity undertaken by any person that supplies or intends to supply goods or services for money or other reward (for example, a property developer selling a house, a business selling office premises). This includes activities that do not make a profit.

The following are not taxable activities:

- making GST-exempt supplies such as long-term residential rental
- working for salary or wages
- selling items as a hobby or recreation
- selling the occasional domestic item.

You cannot claim the non-taxable area of the land as you will be using this as your main residence or for other private use.

Taxable supplies - The supplies you provide while carrying out your taxable activity, which you need to return GST on. This is charged at either 15% (standard-rated) or 0% (zero-rated). You can only claim back GST you pay on your purchases and expenses if you use those goods and services to make taxable supplies.

Time of supply - Generally the earlier of when an invoice is issued or when the seller receives any payment for the land.

Zero-rating of land - When the supply of land is charged with GST at 0%. A land transaction must be zero-rated when made by a GST registered person if the supply wholly or partly includes land, and:

- it is made to another registered person
- the recipient acquires the goods with the intention of using them for making taxable supplies
- it is not intended to be used as a principal place of residence by the recipient or a relative of the recipient.

All these conditions must be satisfied at the time of settlement of the transaction. If any of them are not satisfied at the time of settlement, the supply must be taxed at 15%.

Publications

These publications contain useful information. You can get copies of our forms and guides at ird.govt.nz/forms-guides or go to taxtechnical.ird.govt.nz for Interpretation Statements.

GST - do you need to register? - IR365

Work out if you need to register

GST guide - IR375

A detailed guide for all individuals, businesses and organisations charging GST

Tax and your property transactions - IR361

How different property taxing rules apply

Interpretation Statement (IS 07/01)

GST treatment of sale of long-term residential rental properties

Interpretation Statement (IS 17/08)

Goods and Services Tax - Compulsory zero-rating of land rules (general application)

Interpretation Statement (IS 20/05)

Goods and Services Tax - Supplies of residences and other real property