

21 March 2025

[REDACTED]

[REDACTED]

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 26 February 2025. You requested the following:

...This is to request clarification on charging GST on any advance received from a customer for availing any services from a registered vendor under GST law. To provide you with the background, as per our understanding whenever any revenue is recognized in the books of accounts, accordingly GST has to be remitted to the concerned department. However, sometimes some customers provide advance which is not recorded in the Profit and loss account and is maintained under Debtors in the Balance sheet i.e., no revenue has been recorded in the books of accounts.

For the purposes of GST, an advance could be seen as being similar to a deposit, meaning it is a payment for a supply which is received prior to the provision of the goods or services. Where a payment such as a deposit has been received, this will usually trigger time of supply for GST in accordance with section 9(1) of the Goods and Services Tax Act 1985, this means that any GST chargeable on the supply must be returned in the period the advance is received.

For more information on time of supply and payments please refer to *Interpretation Statement IS 10/03* on Inland Revenue's Tax Technical website at taxtechnical.ird.govt.nz/interpretation-statements/is1003-gst-time-of-supply-payments-of-deposits-including-to-a-stakeholder.

Publishing of OIA response

We intend to publish our response to your request on Inland Revenue's website (ird.govt.nz) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you again for your request.

Yours sincerely



Bernadette Newman

Customer Segment Leader, Small and Medium Customer Segment