

**EXPOSURE DRAFT - FOR COMMENT AND DISCUSSION ONLY | HUKIHUKI HURANGA
- MŌ TE TĀKUPU ME TE MATAPAKI ANAKE**

Deadline for comment | Aukatinga mō te tākupu: **20 June 2023**

Please quote reference | Whakahuatia te tohutoro: **PUB00389**

Send feedback to | Tukuna mai ngā whakahokinga kōrero ki
Public.Consultation@ird.govt.nz

FACT SHEET | PUKA MEKA

Unit Title Body Corporates considering registering for GST

Issued | Tukuna: Issue Date

IS ##/## FS #

This fact sheet accompanies [Interpretation Statement IS XX/XX GST – Unit title body corporates](#) which considers how GST applies to transactions between a unit title body corporate (UTBC), its members and third-party suppliers. This fact sheet provides guidance for UTBCs considering registering for GST. A separate factsheet [\[link\]](#) provides guidance for GST registered UTBCs on transactions they may encounter.

Does a UTBC have to register for GST?

1. In most cases, no. A UTBC would only be required to register if it carries on a taxable activity and makes taxable supplies of over \$60,000 in a 12-month period.
2. While a UTBC will typically have a taxable activity, generally the only supplies it will make are to its members (for which it receives member levies). It is unlikely to exceed the \$60,000 registration threshold because the member supplies it makes do not count towards the registration threshold.
3. However, a UTBC can apply to voluntarily register for GST.

What happens if a UTBC registers for GST?

4. If a UTBC registers, it will need to pay GST on supplies it makes. This means a UTBC will need to pay GST on levies received from members. At the same time, a registered UTBC would be able to claim GST on amounts paid to registered suppliers (for example, a GST-registered commercial cleaner).
5. Additionally, there is a special rule requiring UTBCs to pay GST on the value of money and investments it holds at the time of registration (see [11] for more details).

Why would a UTBC register for GST?

6. Good question. Where a UTBC comprises owner-occupier residential apartments, there seems no point in registering for GST. This can be illustrated with a simple example of a UTBC that needs to levy members to pay an expense of \$1,150.

	Unregistered UTBC	Registered UTBC
Levies from members	\$1,150	\$1,150
GST output payable	\$0	\$150
Funds available to pay expense (A)	\$1,150	\$1,000
Expense	\$1,150	\$1,150
GST input tax deduction	\$0	\$150
GST exclusive cost of expense (B)	\$1,150	\$1,000
Net position: Funds (A) – Expense (B)	\$0	\$0

7. As can be seen, both the registered and unregistered UTBC need to levy members the amount of \$1,150 to fund the expense. For the unregistered UTBC, the money simply

flows through to pay the expense. For the registered UTBC, it has to pay GST on the levies collected, but can claim GST on the expense. The end position is the same for both entities.

What are the advantages of voluntarily registering for GST?

8. Where members use their units to carry on a taxable activity, there may be some benefit in the UTBC registering for GST as the members will likely be able to claim the GST charged on levies. A typical example of this is where the unit is used for retail, such as a café. If the café is GST registered and the UTBC is GST registered, the café will be able to claim GST on the levies charged to it by the UTBC.
9. If the UTBC decides not to register for GST, a GST registered member cannot claim GST for levy payments made to an unregistered UTBC, even if the unregistered UTBC is purchasing supplies from a GST registered supplier.

What does a UTBC considering voluntary registration need to bear in mind?

10. If the UTBC decides to register for GST, it will incur the compliance costs of having to regularly file GST returns. These costs will ultimately need to be covered by levying additional funds from members.
11. There is a special rule requiring UTBCs to pay GST on the value of money and investments it holds at the time of registration. This rule removes the tax advantage a UTBC would get from levying members when not registered, then registering for GST and claiming GST on its expenses.
12. Some UTBCs may consider registering so they can claim back GST on the cost of significant repairs or maintenance. This may occur where a UTBC needs to pay for leaky building remediation or seismic strengthening. However, GST will need to be paid on any amounts levied from members to cover these costs, and likely on any insurance payments received. These amounts and the one-off adjustment noted at [11] will generally negate any benefit from registering for GST.

Can a registered UTBC de-register?

13. If a UTBC decides to register for GST, it is unable to voluntarily cease its registration for four years. This rule is designed to prevent UTBCs from registering to claim input tax deductions on significant expenditure and then deregistering before having to account for output tax.

How do I find out more?

14. For more information see Registering for GST in [Interpretation Statement IS XX/XX GST – Unit title body corporates](#).

Draft items produced by the Tax Counsel Office represent the preliminary, though considered, views of the Commissioner of Inland Revenue.

In draft form these items may not be relied on by taxation officers, taxpayers, and practitioners. Only finalised items represent authoritative statements by Inland Revenue of its stance on the particular issues covered.

About this document | Mō tēnei tuhinga

Some of the Tax Counsel Office's longer or more complex items are accompanied by fact sheets, which summarise and explain the item's main points. While they summarise the Commissioner's considered views, to fully understand the guidance a fact sheet should be read alongside the full item. Fact sheets are not binding on the Commissioner. See further [Status of Commissioner's advice](#) (December 2012).