

FACT SHEET | PUKA MEKA

Unit Title Bodies Corporate considering registering for GST

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IS 23/08 FS 1

This fact sheet accompanies [IS 23/08 GST – Unit title bodies corporate](#) 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 [IS 23/08 FS 2](#) 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 person is only required to register if they carry on a taxable activity and make 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. Unregistered UTBCs that provide services to third parties (such as leasing car parks on the common property) should monitor the value of these supplies.
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 is 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 unit title development comprises owner-occupied 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 UTBCs.

What are the advantages of voluntarily registering for GST?

8. Where members are registered for GST and use their units to carry on a taxable activity, there may be some benefit in the UTBC registering for GST as the registered 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 purposes, such as a café. If the café is GST registered and the UTBC is GST registered, the café will likely 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 registered member cannot claim GST for levy payments made to an unregistered UTBC.

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, if the UTBC registers for GST it will need to pay GST on any amounts levied from members to cover these costs, and likely on any insurance payments received. The GST paid on 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.

How do I find out more?

14. For more information see Registering for GST in [IS 23/08](#).

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).