CPA Australia Ltd
ABN 64 008 392 452

Level 20, 28 Freshwater Place
Southbank VIC 3006 Australia

GPO Box 2820 Melbourne
VIC 3001 Australia

P 1300 737 373
Outside Aust +613 9606 9677

cpaaustralia.com.au

Current GST issues
C/- Deputy Commissioner, Policy
Inland Revenue Department
PO Box 2198
Wellington, 6140
New Zealand

Email: policy.webmaster@ird.govt.nz

3 July 2026

Dear Sir/Madam,

Current GST Issues - Officials' Issues Paper

Thank you for the opportunity to comment on the targeted consultation on exposure draft interpretation guideline **Current GST Issues - Officials' Issues Paper** (Paper) prior to its finalisation.

CPA Australia represents the diverse interests of more than 176,000 members, including over 3,500 members in New Zealand, working in over 100 countries and regions supported by 19 offices around the world. We make this submission on behalf of our members and in the broader public interest.

Executive summary

CPA Australia broadly supports the proposed GST amendments, particularly where they improve certainty, reduce compliance costs and better align the rules with modern commercial practice. We support targeted changes to the dwelling and commercial dwelling definitions, including for transitional housing, student accommodation and Māori housing arrangements, while cautioning against broader reforms that could create new boundary issues. We also support practical measures to simplify GST treatment for exported residential electricity, non-resident business activity, error correction, GST group registration and pre-registration input tax deductions. However, we recommend that Inland Revenue adopt clear safe harbours, proportionate transitional rules and practical guidance to ensure the reforms remain workable for businesses, advisers and not-for-profit providers.

Key responses

We make the following key responses to the consultation questions:

Chapter 2 – Dwellings and commercial dwellings

We support targeted amendments for transitional housing, student accommodation, homestays and farmstays, while cautioning against broad changes to the quiet enjoyment test. The rules should better accommodate Māori housing arrangements, including papakāinga and tikanga-based occupancy models, and include practical transitional protection.

Chapter 3 – Electricity exported to grid by residential premises

We support zero-rating surplus residential electricity exported to the grid by GST-registered persons, together with simplified taxable supply information requirements, to reduce low-value compliance costs.

Chapter 4 – Cross-border issues

We support narrowing the resident definition, so non-residents are not treated as resident merely because they work temporarily at client, shared or event-based premises in New Zealand. We also support limited relief from GST registration where zero-rated exported services produce no net revenue benefit.

Chapter 5 – Correcting errors and inaccuracies

We support a clearer two-track correction framework for single-person errors and multi-person adjustments, with more equitable self-correction thresholds. The framework should accommodate automated systems, high-volume minor errors and revenue-neutral business to business (B2B) corrections without unnecessary retrospective amendments.

Chapter 6 – Miscellaneous issues

We support a principled entry into the GST-base rule for pre-registration acquisitions, separate GST group registration, amendments to section 9(6), and treating interests in unincorporated bodies as participatory securities. Safe harbours and practical guidance are needed to limit compliance costs.

Chapter 7 – Modernising the Goods and Services Tax Act

We support targeted modernisation of the GST Act through restructuring, renumbering, removal of obsolete provisions and modern drafting conventions, rather than a full rewrite. This should be a medium priority after more immediate technical reforms.

Chapter 8 – Business event services supplied to non-resident businesses

We support zero-rating core business event services supplied to verified non-resident businesses to improve competitiveness and reduce compliance costs. The rules should clearly distinguish business event services from private consumption, with practical apportionment guidance for bundled packages.

Chapter 9 – Other international developments

We support voluntary, business-led e-invoicing adoption unless a clear case is made for compulsory requirements. Any future mandate should include long lead times, strong data-use safeguards, exclusions for micro-businesses and a report-once approach across related data initiatives. We do not support limiting six-monthly filing for all new registrants, as this would impose unnecessary costs on compliant businesses. We support targeted Commissioner discretion to require more frequent filing where there is a demonstrated history of non-compliance.

Please refer to the Appendix for our response to the questions raised in the consultation paper. If you have any queries about this submission, please contact Jenny Wong on jenny.wong@cpaaustralia.com.au or Bill Leung, Tax Technical Advisor on bill.leung@cpaaustralia.com.au.

Yours sincerely,

Elinor Kasapidis
Chief of Policy, Standards
and External Affairs

Mr Rick Jones
Regional Head
New Zealand

Acknowledgements

CPA Australia would like to acknowledge the following Tax Committee members for their input and guidance in shaping this submission:

- Mr Angus Ogilvie FCPA (Aust.), Chair of Tax Committee – New Zealand
- Mr Jeffrey Owens FCPA (Aust.), Tax Committee – New Zealand
- Mr Darshana Elwela – Tax Committee – New Zealand
- Mr Richard Ashby CPA (Aust.), Tax Committee – New Zealand
- Mr Jamil Eldar, CPA (Aust.), Tax Committee – New Zealand
- Professor Adrian Sawyer, FCPA (Aust.), Tax Committee – New Zealand
- Mr Peter Loerscher, CPA (Aust.), Tax Committee – New Zealand
- Mr Mark Davies, CPA (Aust.), Tax Committee – New Zealand

Appendix

Response to consultation questions

Chapter 2 – Dwellings and commercial dwellings

Q1. Do you agree with officials' suggestion of adding certain premises (namely, self-contained houses, flats and apartments) used for transitional housing as a new category to the definition of "dwelling"? Would this option be an improvement over the status quo? Why/why not?

We agree with the proposal to add premises used for transitional housing (such as self-contained houses, flats, and apartments) to the definition of "dwelling." This is a significant improvement over the status quo. It provides much-needed certainty for providers and correctly reflects the policy intent that accommodation used as a person's home should be exempt. Basing the GST treatment on a complex legal analysis of the "quiet enjoyment" test is impractical and creates outcomes inconsistent with the social purpose of this housing.

Q2. Do you agree with officials' suggestion of adding a new student accommodation category to the "commercial dwelling" definition so that all premises used for student accommodation that is subject to section 5B of the RTA would be commercial dwellings? Would this option be an improvement over the status quo? Why/why not?

We agree with adding student accommodation to section 5B of the *Residential Tenancies Act 1986* (RTA) to enhance the "commercial dwelling" definition. While this may make some self-contained student housing taxable, it provides a clear, bright-line test that is simple to apply. The current ambiguity creates significant uncertainty. This approach correctly recognises that most such accommodation is operated on a commercial scale. The application of the 9% effective GST rate (assuming a 15% standard rate) for stays over four weeks appropriately mitigates the impact, ensuring the tax applies primarily to the services component, not the long-term accommodation itself.

Q3. Are there other issues or uncertainties that arise due to the quiet enjoyment requirement in the "dwelling" definition that are not identified in this chapter and that you think should be considered? If there are, briefly explain what these issues are. Are further targeted changes to either of the "dwelling" or "commercial dwelling" definitions necessary to address these issues?

The targeted changes for transitional and student accommodation address the most significant issues arising from the "quiet enjoyment" requirement. Outside these specific contexts, the test, while sometimes complex, generally functions as intended. We have not identified other widespread issues that require further targeted changes at this time.

Q4. Do you think that more wide-ranging changes to the quiet enjoyment requirement beyond the targeted changes suggested above for transitional housing and student accommodation (for example, repealing the quiet enjoyment requirement or replacing it with an alternative test) are necessary or justified? If yes, why, and what alternative approach would you suggest?

We do not believe that more wide-ranging changes, such as repealing the "quiet enjoyment" requirement, are justified. This would risk reintroducing the uncertainty and overly broad application of the "dwelling" definition that the 2011 reforms sought to address. The proposed targeted solutions are a more proportionate response to the identified problems.

Q5. What are your views on adding premises (or part of premises) to the catch-all provision in the "commercial dwelling" definition if the supply of accommodation in the premises includes certain regular services? Would this make the "commercial dwelling" definition easier to apply? Why/why not?

We are cautious about adding a new limb to the "commercial dwelling" definition based on the provision of "regular services." While logical in principle, it risks creating new boundary issues and subjectivity (e.g., what constitutes "regular"). We believe the alternative proposal in Q6 is a better approach.

Q6. Do you agree with officials' alternative suggestion of adding wording to the "commercial dwelling" clarifying that accommodation provided in a commercial dwelling would generally meet at least one of the two criteria outlined at [2.67]? Would adding such wording to the definition be helpful for taxpayers and their advisors? Why/why not?

We agree with adding wording to the "commercial dwelling" definition to clarify the key features, such as being intended for short-term stays (less than 28 days) or including regular services. This would be a helpful interpretive aid for taxpayers and advisers, assisting in the application of the "premises of a similar kind" test without fundamentally altering the existing, well-understood list.

Q7. Do you agree with excluding part of a homestay or farmstay from the "commercial dwelling" definition if that part of the premises satisfies the definition of a "dwelling"? Why/why not?

We agree with excluding the part of a homestay or farmstay that functions as a private "dwelling" from the "commercial dwelling" definition. This is a pragmatic solution that correctly reflects the dual-use nature of these properties and ensures the private residential portion is treated consistently with other dwellings.

Q8. Are any of the policy options identified in this chapter likely to have direct impacts for Māori? If yes, please explain what these impacts are.

The proposals for transitional housing could positively impact Māori, who are disproportionately represented among those needing such housing. Clarifying the exempt status reduces costs and complexity for providers, including Māori organisations. The broader definitions could, however, intersect with papakāinga or kaumātua housing models, and care must be taken to avoid unintended consequences.

Q9. Do the current definitions of "dwelling" and "commercial dwelling" create any issues for Māori housing arrangements? If yes, please explain what these issues are.

Yes, the current definitions can create issues. The "quiet enjoyment" test and the distinction between a "dwelling" and a "commercial dwelling" may not align well with tikanga-based rules, collective ownership structures, and the variable nature of stays in some papakāinga settings. These arrangements often do not fit neatly into Pākehā legal concepts of tenancy.

Q10. What features of Māori housing arrangements should be specifically reflected in the policy design to ensure the rules are workable and equitable?

Policy design should reflect features such as collective governance, occupancy rights based on whakapapa rather than formal tenancy agreements, and the potential for provision of communal services and support. A prescriptive, one-size-fits-all approach is unworkable. A potential solution could involve a specific legislative carve-out or deeming provision for papakāinga housing registered under *Te Ture Whenua Māori Act 1993*, treating it as exempt residential accommodation.

Q11. Do you have views on how any boundary test focused on the nature of occupation (for example, "quiet enjoyment") should be applied in tikanga-based housing settings?

Applying a test like "quiet enjoyment," which is derived from the RTA, to tikanga-based housing settings is inappropriate. Occupancy rules in these settings are based on different principles. We recommend that for recognised Māori collective housing, the "quiet enjoyment" test be disapplied in favour of a test based on the nature and purpose of the housing arrangement itself.

Q12. Are there other issues or uncertainties that arise due to the current definitions of "dwelling" and "commercial dwelling" that are not identified in this chapter and that you think officials should consider? If there are, briefly explain what these issues are.

Further issues arise under the current definitions:

1. Dual-purpose fractional ownership and co-living models: Modern co-living spaces often combine long-term leases, short-term workspace access, bundled services and high turnover, making the “principal place of residence” test difficult to apply.
2. Dual-use strict apportionment: Mixed-use properties may operate as both serviced apartments and long-term rentals. Inland Revenue should consider a structural carve-out for distinct dual-use units to avoid unnecessary change-of-use events or binary classifications.
3. Key worker and remote industry accommodation: Employer-provided group housing in sectors such as primary production, infrastructure and tourism can resemble commercial dwellings but function as employment-related accommodation. Clear safe harbours are needed to reduce compliance risk.
4. Boarding house threshold: Qualification as a commercial dwelling can depend on occupant numbers and length of stay. A provisional or transitional intent rule would protect operators during setup or low-occupancy periods.

Q13. Are there other options for achieving the policy intention of the “dwelling” and “commercial dwelling” definitions or for making these definitions easier to apply that are not identified in this chapter and that should be considered? Describe these options.

To distinguish between residential and commercial accommodation, Australia’s GST system uses the term commercial residential premises and relies heavily on the character of the operation rather than just the physical layout of the property. To fall outside the residential exemption, the premises must exhibit specific commercial characteristics as an operating entity: central management to control the premises, clear provision of communal spaces, operating under a commercial licence, and the active marketing of beds or rooms to the public. This avoids the "all-or-nothing" physical trap.

If a charity runs transitional housing in a converted motel block but operates it via social workers with zero commercial marketing or profit motive, the entity-based overlay would automatically class it as an exempt residential arrangement. It looks at how the space is run, not just what the building used to be.

Q14. Do you agree there should be a transitional rule that accommodation suppliers could choose to apply to preserve the current treatment of supplies of accommodation if they are altered as a result of any policy changes? Why/why not?

We strongly agree that a transitional rule is necessary. Any changes to these core definitions will alter the GST treatment for some suppliers. A "grandfathering" provision is essential to allow suppliers to preserve their current, established GST treatment and avoid the significant compliance costs and potential disputes associated with changing their systems and recovering previously claimed input tax.

Chapter 3 – Electricity exported to grid by residential premises

Q15. Do you agree with the proposal outlined in this chapter? Why/why not?

We strongly agree with the proposal to zero-rate supplies of surplus solar electricity exported from dwellings by GST-registered persons. The current requirement to return output tax on what is often a small credit on a power bill creates a significant compliance burden and risk of error for individuals whose primary taxable activity is unrelated. This proposal is a pragmatic and efficient solution.

Q16. Would it simplify matters for retailers if there was also an exception to the requirement to provide taxable supply information (including buyer-created taxable supply information) in respect of surplus electricity purchased from account holders?

Yes, an exception to the requirement to provide taxable supply information (including buyer-created information) for these supplies would further simplify the process for electricity retailers. As the supply is zero-rated, the information serves no practical purpose for either party's GST compliance, and removing the requirement would reduce administrative costs.

Chapter 4 – Cross-border issues

Q17. If the definition of "resident" was amended to only apply when the supplier owns, leases or rents the premises, would this be an effective way to reduce compliance costs?

We agree that amending the definition of "resident" to limit the "fixed or permanent place" test to premises owned, leased, or rented by the supplier would be a highly effective way to reduce compliance costs. This directly addresses the core problem of a non-resident being inadvertently captured simply by working at a client's site. It is a cleaner and more principled solution than creating a separate exclusion.

Q18. Should an expanded business-to-business exclusion treat certain business-to-business supplies (such as supplies of services) by a non-resident as not being made in New Zealand if those supplies would otherwise be treated as made in New Zealand because an employee of the non-resident is performing work at the premises of a New Zealand GST registered client? Would this approach be an effective way to remove GST compliance costs on non-resident persons who temporarily visit New Zealand to perform work at the premises of their GST registered client?

While an expanded business to business exclusion would also work, the approach in Q17 is superior. However, if that is not progressed, this alternative would be an effective way to remove unnecessary compliance costs. It targets the specific transaction type that creates the issue without needing to amend a core definition.

Q19. Are there certain types of premises (such as a non-resident supplier temporarily renting a co-working space in New Zealand) that officials should consider when developing potential policy options?

The framework should ensure non-resident suppliers are not treated as New Zealand residents merely because they use temporary, flexible or client-provided premises. In addition to co-working spaces, Inland Revenue should consider the following scenarios:

1. Dedicated client desks or on-site access: client-provided workspace should not count as the non-resident's fixed place of business where it is used only to deliver services to that client.
2. Specialised infrastructure: temporary access to local facilities, such as labs, data centres, orchards or manufacturing sites, should be distinguished from an operational commercial base.
3. Incubators, accelerators and shared university labs: short-term innovation or R&D access should be excluded from the fixed place of business test.
4. Pop-up spaces and event venues: a temporal de minimis rule, such as presence of less than 90 days in a calendar year, would reduce uncertainty for short-term, event-driven premises.

Q20. Should the ability to disregard certain zero-rated supplies of exported services for the purposes of the GST registration threshold be expanded so that this approach can be used by suppliers other than "non-resident visitors" and/or for other types of zero-rated supplies?

We agree that the ability to disregard certain zero-rated supplies for registration purposes should be expanded. The current rules can force a non-resident (or even a resident) to register for GST, incurring compliance costs for no net revenue benefit. This is particularly relevant for those supplying exported services.

Q21. Should the suggested solution above be limited to certain types of suppliers, such as nonresidents, or be limited to certain types of zero-rated supplies, such as services?

The solution should primarily be targeted at non-residents, as this is where the compliance burden is most disproportionate. It should be limited to certain types of zero-rated supplies, such as exported services under section 11A(1)(k). It should not apply to supplies where GST registration is integral to the policy, such as the compulsory zero-rating of land.

Chapter 5 – Correcting errors and inaccuracies

Q22. Should the current small-value thresholds be adjusted, replaced, or structured along the lines suggested? Are there other options that should be considered?

We support replacing the 2% of output tax test with a 5% of total supplies test for the higher threshold. The current test unfairly penalises taxpayers with low output tax, such as exporters. A threshold based on the lower of $10,000 and 5% of total supplies is more equitable and better reflects the concept of materiality across different business models.

Q23. Is the overall error correction framework set out in this chapter clear and workable in practice? In particular, does the proposed distinction between single-person errors and multi-person adjustments make sense from a commercial perspective?

The proposed two-track framework, distinguishing between "single-person errors" and "multi-person adjustments," is clear, logical, and workable. It correctly reflects the key distinction in practice: whether a correction could impact another party's GST position. This provides a coherent basis for determining the appropriate correction method.

Q24. Does the proposed framework align with how errors are identified and corrected in practice, including through accounting software and e-invoicing systems? If not, where do you see the mismatches between the framework and current commercial or system-driven processes?

Yes, the proposed framework aligns well with modern commercial and accounting practices. The concept of a multi-person adjustment requiring a "recipient correction" (e.g., issuing supply correction information or a credit note) mirrors existing processes within accounting software and e-invoicing systems.

Q25. Are the proposed limits on when errors and inaccuracies may be corrected prospectively (including exceptions to prospective correction) logical and appropriate? Are there any exceptions that you consider should be modified, expanded, or removed?

The proposed limits and exceptions (e.g., for omitted supplies or Inland Revenue-identified errors) are logical and appropriate safeguards. They correctly balance the goal of minimising compliance costs with the need to protect revenue integrity and discourage taxpayers from deferring GST liabilities.

Q26. Are there scenarios where you consider the proposed framework could be difficult to apply, or could lead to outcomes that are inappropriate, undesirable, or inconsistent with the policy intent? If so, please describe the scenario and explain why the outcome would be inappropriate.

Please find the following scenarios for consideration:

1. Multi-error scenario: A high-volume retailer discovers a six-month software error causing thousands of minor inaccuracies that collectively exceed self-correction thresholds. If assessed in aggregate, the business may need to amend multiple past periods.

2. Complex supply-chain time lags: A primary producer identifies an input tax apportionment error only after audited accounts are finalised. Flexible reportable self-correction should be available for complex, non-fraudulent adjustments tied to annual financial cycles.

3. Net-zero wash transactions: Errors between fully registered GST businesses may have no net revenue effect. The framework should allow a de minimis carve-out for verified B2B wash transactions, rather than requiring both parties to amend past returns.

Q27. For users of automated or system-generated correction processes (for example, automated credit notes or corrections generated through e-invoicing platforms), are there situations where those processes would not fit comfortably within the framework? If so, what are those situations?

These processes may not fit comfortably where the framework relies on human judgments about intent, deliberate choice, or multi-variable thresholds:

1. Automated system errors: Aggregate or net-period thresholds may push high-volume minor errors outside self-correction limits, creating inadvertent technical breaches.

2. Time-boundary clashes: locked accounting periods and e-invoicing systems usually process later corrections in the current period. Requiring backdated amendments can force manual overrides and undermine system integrity.
3. Automated reconciliation failures: System-generated credit notes for registered business to business parties are often revenue-neutral. Requiring manual validation or special reporting codes would interrupt automated e-invoicing workflows.
4. Machine-generated adjustments: If automated corrections require a qualitative assessment of intent before reporting treatment is determined, the framework will be difficult to apply in automated systems.

Q28. Are there aspects of the framework that could unintentionally discourage the use of automated, system-driven, or coordinated correction processes? If so, please explain how and why.

As discussed above, if a correction framework is built on traditional, manual assumptions, it can introduce specific design flaws that actively penalise, complicate, or block the use of automated, system-driven, or coordinated correction processes.

1. Hard value or percentage caps on self-correction: Strict dollar or percentage caps can discourage automated corrections where system-wide fixes produce many small adjustments that exceed aggregate thresholds.

2. Rigid look-back restrictions: Rigid time limits can reduce the value of automated reviews, which are useful for detecting systemic errors across historical data.

3. Separate narrative explanations: Requiring qualitative explanations for each correction would interrupt straight-through processing, as automated systems can transmit numeric adjustments but not legal context.

4. Asymmetrical rules for underpayments and overpayments: Different pathways for underpayments and overpayments can disrupt coordinated correction workflows, which usually calculate a net adjustment across many transactions.

If automated corrections must mimic human judgment, manual processes may become safer than efficient system-driven corrections.

Q29. If you agree with the framework (or consider it appropriate with modifications), do you agree it should apply from the day after the Royal assent of any amending legislation? Please explain your reasons.

We agree that the new framework should apply from the day after Royal Assent. This provides a clear start date for the new rules and avoids the complexity of retrospective application.

Q30. Do you consider the extra four-year period for refunds of overpaid tax in GST returns arising from clear mistakes or simple oversights should remain despite it no longer existing for other tax types? If so, why?

While removing a taxpayer-favourable provision is never ideal, we agree that the extra four-year period for refunds arising from "clear mistakes or simple oversights" should be removed. A single, consistent four-year time bar for both taxpayer- and Commissioner-initiated amendments provides certainty and finality. It also aligns the GST rules with those for other tax types.

Q31. Are there circumstances when input tax that should be allowed to be deducted that would no longer be able to be deducted if the clear mistake or simple oversight ground was removed, even though other limited grounds for late deduction would remain available? If so, please describe the circumstances.

Removing the "clear mistake" ground could, in some fringe cases, prevent a legitimate input tax deduction. For example, a simple but significant miscoding of an expense that is not discovered until after the four-year period has passed may not fit the other remaining grounds (e.g., lack of taxable supply information or a dispute). However, we accept that such cases are likely to be rare and that the benefit of a hard time bar outweighs this risk.

Chapter 6 – Miscellaneous issues

Q32. Do you agree the current rules can produce unfair or anomalous outcomes when goods and services acquired shortly before GST registration are used for making taxable supplies, but no input tax deduction is available?

Yes, the current rules produce unfair and anomalous outcomes. Denying an input tax deduction for goods and services acquired for $10,000 or less immediately before registration, which are then used exclusively in the taxable activity, is contrary to the fundamental principles of GST.

Q33. What are your views on the options discussed? In particular, what limits or conditions would be necessary to protect revenue integrity and prevent inappropriate claims?

We strongly support the introduction of a new "entry into the GST base" rule. This is the most principled and coherent option. It treats the assets as if they were acquired at the point of entry into the GST system, ensuring the correct amount of input tax is claimable based on their value and intended use at that time. Reverting to the pre-2019 law is a second-best option that does not address valuation issues, and the status quo is unacceptable.

Q34. If an "entry into the GST base" rule was introduced, do you agree that the input tax deduction should be capped at the lower of the original cost of the goods or services or the open market value at the time they first start being used to make taxable supplies? If not, why?

We agree that the input tax deduction under an "entry into the GST base" rule should be capped at the lower of the original cost or the open market value at the time of first taxable use. This is a necessary and appropriate integrity measure to prevent over-claiming input tax on depreciated assets.

Q35. If an "entry into the GST base" rule was introduced, should it apply to services as well as goods, and if so, should it apply only to the extent the services are still capable of being used to make taxable supplies (for example, because they involve an unexpired right or entitlement)? What practical or compliance issues would arise if services were included or excluded?

The rule should apply to services as well as goods, but only to the extent they represent an unexpired right or benefit (e.g., a software subscription or insurance policy). It should not apply to services that have been fully consumed prior to registration. This distinction is practical and ensures the deduction relates to an input that is actually used in making future taxable supplies.

***Q36. Do you support introducing a separate GST group registration that is distinct from the representative member, so that for administrative purposes, a group for GST purposes would work similarly to how a group works for income tax purposes? Why/why not*?**

We support introducing a separate GST group registration. This would align the GST administration with the income tax approach and resolve the significant practical and legal issues that arise when a representative member exits a group or ceases to exist. It provides a more robust and logical framework for group assessments and liability.

Q37. Are there any concerns (such as compliance costs) or any other issues you foresee with this approach?

We foresee the following:

- The proposed approach may increase compliance costs by requiring businesses to track multiple time-of-supply events for a single commercial arrangement.
- Milestone or variable payments can create uncertainty where amounts are recorded as due before they are agreed, received or finally valued.
- SMEs may face cash-flow mismatches if they must account for GST before receiving payment.
- Further guidance is needed to distinguish a single supply with variable consideration from separate supplies.

The framework should consider having a clear safe harbour threshold or a cash-basis matching election for lower-value variable business to business contracts, in order to reduce compliance costs and avoid disrupting automated processing.

Q38. Do you agree with officials' suggested change to section 9(6)? Why/why not?

We agree with the suggested change to section 9(6). The amendment to require GST to be accounted for to the extent of the *known* consideration at each invoicing or payment point aligns the provision with its policy intent. The current wording is ambiguous and can be exploited to achieve an unintended deferral of GST.

Q39. Do you agree with amending the definition of "participatory security" to include an interest in an unincorporated body? Why/why not?

We strongly agree with amending the definition of "participatory security" to include an interest in an unincorporated body. The current range of possible GST treatments is confusing and leads to errors. Treating the supply of such an interest as an exempt financial service is consistent with the treatment of company shares and reflects the fact that the unincorporated body itself is treated as a separate person for GST purposes.

Chapter 7 – Modernising the Goods and Services Tax Act

Q40. Do you agree with officials' views on the scope of a project that would modernise the GST Act? Why/why not?

We agree with the officials' proposed "alternative approach." A full rewrite of the GST Act is not currently justified given the Act's fundamental soundness and the immense resource cost involved. Further, based on the experience of rewriting the Income Tax Act, it remains questionable whether the benefits justify the cost of the rewriting exercise. A targeted project to restructure, renumber, repeal obsolete provisions, and adopt modern drafting conventions would deliver significant improvements in usability at a proportionate cost. This is supported by research analysing the initial reorganisation phase of the Income Tax Act rewrite exercise.

Q41. Should officials consider other enhancements to the GST Act that would improve its accessibility and usability?

The list of potential enhancements is comprehensive. The single most valuable addition from a user's perspective would be adding "defined terms" lists at the end of each section, as is done in the *Income Tax Act 2007*.

Q42. What relative priority do you consider a project modernising the GST Act should have against the other policy proposals or options discussed in this consultation paper?

A project to modernise the GST Act should be a medium priority. While important for long-term usability, it is less urgent than the substantive technical amendments proposed in other chapters of this paper, which address immediate areas of uncertainty and unfairness.

Chapter 8 – International developments: Business event services supplied to non-resident businesses

Q43. What do you see as the main benefits, costs, and potential risks of zero-rating GST on business event services supplied to non-resident businesses? Do you have any data or information that could assist officials with estimating these benefits and costs?

The main benefit of zero-rating business event services for non-residents is enhanced competitiveness for New Zealand's conference and events industry, placing it on a level playing field with jurisdictions like Australia and Singapore. It also significantly reduces compliance costs for non-resident businesses, which currently must either register for GST to claim a one-off deduction or forgo the GST cost. The primary cost is a potential loss of tax revenue, which should be weighed against the economic benefits of attracting more international business events.

Q44. What information would be required to enable a business event organiser to determine whether a business attendee is a non-resident? What challenges may arise for business event organisers or attendees in obtaining or supplying that information?

A business event organiser should be able to rely on commercial documentation collected during the registration process. This could include a declaration from the attendee confirming they are a non-resident business, their business address, and their home country consumption tax registration number (if applicable). This places a reasonable onus on the attendee and provides the organiser with sufficient evidence for their GST position.

Q45. The potential zero-rating rule could include criteria that requires a business event to be organised by an event organiser with a taxable activity of hosting or arranging business events. Are there situations in which a business will organise an event themselves without contracting the services of an event organiser?

We disagree with limiting zero-rating to events run by specialist third-party organisers. Businesses commonly use internal marketing, HR or procurement teams to run international summits, training and product launches. The test should focus on the event's business-to-business nature and the recipient's verified non-resident business status, not the organiser's industry classification.

Q46. What types of services related to business events could qualify for zero-rating? How could these services be defined to provide certainty and reduce the risk of private consumption, such as tourism activities, becoming zero-rated? What operational guidance would be helpful to the business events industry to determine which services are in or out of scope of any zero-rating rules?

To provide certainty, the scope of zero-rated services should be clearly defined. We support a model based on Singapore's approach, where core services like attendance fees, conference-related materials, and the hire of exhibition space are zero-rated. Services that are clearly for private consumption, such as tourist activities, entertainment, and gala dinners, should be explicitly excluded and remain standard-rated to protect the tax base.

Q47. It is currently suggested that accommodation be standard rated in all circumstances. Do you have a view on whether accommodation should be zero-rated when it is supplied by the conference organiser as part of a business event package?

While the default position should be that accommodation is standard-rated, we believe an exception should be made. Accommodation that is supplied by the conference organiser as part of a single, bundled delegate package should be zero-rated. Forcing apportionment or requiring non-residents to reclaim GST on this key component significantly undermines the compliance-saving benefits of the overall proposal.

Q48. What services are typically bundled in business event attendance fees (for example, gala dinners, accommodation, tours)? Is the treatment of business event packages suggested appropriate?

Bundling is common. A clear requirement for event organisers to apportion the fee between zero-rated and standard-rated components is appropriate. The proposal to standard-rate the entire package if it cannot be reasonably apportioned is a strong integrity measure. However, Inland Revenue should provide guidance on acceptable apportionment methodologies (e.g., based on relative costs or standalone market values) to assist organisers.

Chapter 9 – Other international developments

Q49. What are your views on the business benefits of e-invoicing, based on your own experience or that of your customers or suppliers?

The business benefits of e-invoicing are significant, including reduced processing costs, faster payment times, fewer errors, and improved data quality. Our experience is that businesses that adopt it find it highly beneficial.

Q50. Do you consider that e-invoicing could deliver material tax compliance benefits in a New Zealand context? Why/why not?

E-invoicing could deliver material tax compliance benefits over time by improving the quality and accessibility of business records. It can reduce data entry errors in GST returns and provide a clearer audit trail. However, the scale of these benefits in the New Zealand context, which already has high levels of voluntary compliance, is uncertain.

Q51. Given approaches taken in other countries such as Singapore and the United Kingdom, do you think New Zealand should continue with a voluntary approach to e-invoicing, or consider moving over time toward compulsory requirements?

New Zealand should continue with a voluntary, business-led approach to e-invoicing. While other countries are moving towards mandates, the case for a tax-driven mandate in New Zealand has not been established. The compliance costs, particularly for small businesses, could be substantial and may not be justified by the potential tax compliance gains.

As an example, e-invoicing is currently not compulsory for standard business transactions in Australia. In Australia, e-invoicing only works if both the sender and the receiver are registered on the same network (Peppol). Because private sector adoption remains relatively low, many businesses feel there are not enough partners on the network to make the switch worthwhile. Some business owners mistake e-invoicing for a tax-tracking tool. The Australian Taxation Office (ATO) is the registered Australian Peppol Authority. This means the ATO is responsible for managing the framework and standards of the e-invoicing network nationwide. Some business owners worry that the ATO is using its authority to monitor their day-to-day transactions in real-time, even though the ATO explicitly stated they cannot view the invoice data content.

Q52. If e-invoicing were ever to become compulsory in New Zealand, what lead times, transitional arrangements, or scope limitations would be important to ensure impacts on businesses are proportionate?

If e-invoicing is ever mandated, a one-size-fits-all timeline must be avoided. We advocate for a multi-tiered, five-year phased rollout based on business size, supported by a two-year penalty-free grace period. Furthermore, the mandate must strictly exclude business to consumer (B2C) transactions and micro-businesses under $1 million annual turnover to ensure compliance costs remain proportionate to economic capacity.

Q53. How important is clarity about how invoice-level information would be used by Inland Revenue to support tax administration and compliance outcomes in assessing whether compulsory e-invoicing would be appropriate?

Clarity on IR's use of invoice-level data is essential before considering compulsory e-invoicing. Businesses need certainty on three points:

1. Business efficiency versus tax surveillance: New Zealand's Peppol model is designed for peer-to-peer business efficiency, not automatic tax reporting. If e-invoicing becomes compulsory, legislation should confirm whether IR will access invoice-level data and whether the model will remain separate from real-time transaction reporting.

2. Avoiding function creep: Businesses are more likely to resist a mandate if invoice data could later be used for broader monitoring, risk profiling or pre-filled assessments without clear limits, safeguards and transparency.

3. Justifying compliance costs: A mandate would require many small businesses to upgrade software and change workflows. IR should show that the GST compliance benefits clearly outweigh these costs before moving beyond voluntary adoption.

Q54. How should e-invoicing and transaction-level reporting be considered alongside other initiatives, such as payment service provider reporting or open banking, when assessing options to support GST compliance?

E-invoicing, Payment service provider (PSP) reporting and open banking should be treated as an integrated data hierarchy, not separate compliance tools. E-invoicing should verify B2B tax logic, while PSP reporting should cover high-volume B2C and cross-border digital flows. IR should also adopt a "report once" standard to avoid duplicative checks across banking, payment and invoicing channels.

Q55. Do you think there is merit in limiting six-monthly filing for new GST registrants to those who have demonstrated a good compliance history? Why/why not?

We do not support a blanket rule limiting six-monthly filing for new registrants. This would penalise the majority of new businesses that are fully compliant, imposing unnecessary administrative costs. A more targeted approach permitting the circumstances in which businesses may use the six-monthly filing is preferable.

Q56. Do you think the Commissioner should have the discretion to require a person to provide more regular GST returns if they have a demonstrated history of non-compliance? If not, what concerns do you have with this?

We agree that the Commissioner should have a targeted discretion to require a person with a demonstrated history of non-compliance (e.g., persistent late filing or payment) to file more frequently. This allows Inland Revenue to manage high-risk taxpayers without imposing a blanket cost on the compliant majority. This is a more proportionate and effective tool for managing compliance risk.