

18 May 2020

GST Policy Issues – An Official’s Issues Paper
Inland Revenue Department
PO Box 2198
Wellington 6140

Dear Sir/Madam

Re: GST Policy Issues

I am writing to you regarding the issues paper entitled ‘*GST Policy Issues*’ (referred to as “the Issues Paper”). While the Issues Papers canvasses a wide variety of GST topics and recommendations, BusinessNZ wishes to submit on two specific areas.

Background

From a policy sense, New Zealand’s GST system is one of the cleanest in the world, being built on a broad-based low rate tax regime. This means our GST system is looked on favourably by other tax jurisdictions. Therefore, one could argue that there is additional pressure on the New Zealand Government to ensure that any future changes continue to show New Zealand’s GST system in that light, not least that our system remains as comprehensive and compliance-light as possible.

Chapter 2 – Tax Invoice Requirements

As pointed out in the Issues Papers, the standard requirements for tax invoices have changed little since 1986, while business practice since then has experienced significant change, much of it through the use of technology. We agree that the tax invoice remains a useful tool, but practical changes to reduce compliance are long overdue, especially given other countries are developing more streamlined requirements.

We note that paragraph 2.7 outlines the current requirements for invoices exceeding \$1,000, with a slightly simplified form for between \$50 and \$1,000. Given the somewhat exhaustive number of requirements, simplification or elimination where practicable is a good step forward. Table 1 below outlines BusinessNZ’s views on the proposed changes.

Table 1: Options for Simplification

Area	Proposals	BusinessNZ View
Required information on the tax invoice	<ul style="list-style-type: none"> Remove requirement to provide details of the quantity and volume of goods and services supplied. 	BusinessNZ agrees. This information can be sourced elsewhere.
Use of electronic invoicing	<ul style="list-style-type: none"> Remove requirement that a “copied” invoice be marked as “copy only”. The requirement in section 20(2)(a) that the recipient seeking an input tax claim “hold” a tax invoice has been interpreted by some to suggest that, although hard-copy invoices are not required, a hard copy (for example, in PDF format) must be able to be downloaded. Therefore, it is recommended that the wording be modified by, for example, requiring only that the information required to be kept on a tax invoice be retained. 	BusinessNZ agrees with both proposals. In the current electronic age, it makes little sense for the marking of a “copy only” invoice. Also, a change to the wording in Section 20(2)(a) would bring greater clarity about what businesses must do to meet the requirements of the legislation.
Buyer-created tax invoices	<ul style="list-style-type: none"> Rather than involving Inland Revenue, buyer-created invoices should be based on what is most appropriate for the businesses in question. 	BusinessNZ agrees. For revenue integrity reasons some requirements should be retained, but the requirement to seek the Commissioner’s approval to issue buyer-created invoices seems pointless.
Shared invoices	<ul style="list-style-type: none"> Shared invoices should be able to be used in a wider range of circumstances. 	BusinessNZ agrees.
Tax invoice related penalties	<ul style="list-style-type: none"> Any penalty (which would generally be placed on the purchaser) should be limited to multiple claims for the same supply. 	BusinessNZ agrees.

Changing the threshold for requiring a tax invoice

In addition to the proposals outlined above, we believe the current threshold of \$50 for requiring a tax invoice should be increased. The threshold has not lifted since 1990 when it was raised from \$20, while general inflation through the CPI from 1990 to 2020 shows inflation of around 83%¹. Therefore, we believe there are strong grounds for the threshold to increase to at least \$100.

Chapter 6 – Business Conferences and Staff Training

BusinessNZ agrees that businesses should be able to recover the GST paid on their business expenses in a cost-effective way. While this is the case when a business registered for GST sends their staff to a New Zealand conference or training course, it is not the case for offshore businesses that have not registered for GST in this

¹ Based on the RBNZ Inflation Calculator.

country. Although paragraph 6.4 outlines a way in which offshore businesses can do this, we agree that the process is cumbersome and does not meet the requirement for minimising compliance costs.

Therefore, BusinessNZ supports the proposal to zero-rate GST on conferences, conventions and staff training supplied in New Zealand to non-resident businesses.

As outlined in the Issues Paper, movement along these lines by Australia and Singapore mean that for competitive purposes, we cannot allow the New Zealand conference industry to face an additional disadvantage in respect of attracting international conferences. Interestingly, given European Union countries apply VAT/GST at full rates on conference services provided to offshore businesses, the lower value of the New Zealand dollar, along with zero-rated GST on such gatherings, may help bring a greater number of conferences to this part of the world in the medium-long term.

On one level BusinessNZ strongly supports measures that in some shape or form bring talent into New Zealand, whether on a temporary or more permanent basis. Given we have relatively limited resources compared with many larger countries, there are spillover benefits to be had in terms of building our skills and expertise base in this country. There is also the added bonus of offshore customers being exposed to what New Zealand has to offer, not only from a tourism point of view, but also in terms of the interactions they can have with certain industries that help grow trading and other relationships.

On another level, overlaying all of this is the current COVID-19 pandemic where international movements have all but come to a standstill. However, this does not mean that progression of the proposal should be delayed. Instead, if New Zealand keeps on its current path of being one of the earliest countries to minimise new cases of the virus, then there is a good chance we will be seen in the near future as a relatively safe country to travel to. By adding additional features such as zero-rated GST on conferences etc, it can help build New Zealand's reputation as a primary destination in terms of both cost-effectiveness and relative safety.

We will leave the design issues around definitions of non-resident businesses and of qualifying conferences and staff training services to other submitters who would be more suited to respond. However, we believe it is important that any decisions here balance the intent of the proposal with simplicity of definition.

Types of services bundled into conference or convention fees

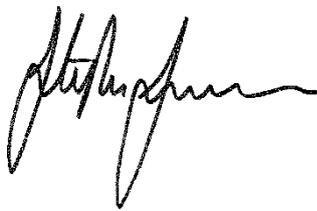
Paragraph 6.22 asks for feedback on the types of services that are typically bundled into a conference or convention fee. Feedback from our membership outlined areas such as meals, transport, entertainment, tours, insurance and tips.

We should mention that outlining what is typically bundled into such events does not mean BusinessNZ automatically supports these being zero-rated. Given certain areas would not fall within what we would prefer as a strict definition of conference or

training, we would not want to see the simplicity of New Zealand's GST being eroded in any way.

Thank you for your time, and we look forward to further developments in this policy area.

Kind regards,

A handwritten signature in black ink, appearing to read 'Steve Summers', with a long, sweeping horizontal stroke at the end.

Steve Summers
Economist
BusinessNZ