Cabinet Economic Development Committee

**Minute of Decision**

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**GST Apportionment: Release of Officials’ Issues Paper**

**Portfolio Revenue**

On 2 March 2022, the Cabinet Economic Development Committee:

1. **noted** that a number of policy issues have been identified with the existing GST apportionment and adjustment rules;
2. **noted** that the officials’ issues paper, *GST Apportionment and Adjustment Rules: An Officials’ Issues Paper* (the officials’ issues paper), attached to the submission under

DEV-22-SUB-0017, includes a range of options for simplifying the existing apportionment and adjustment rules, including:

* 1. allowing GST registered businesses to elect that capital assets not be subject to GST on purchase or sale (the election method);
	2. introducing a principal purpose test for assets purchased for less than $5,000 (GST exclusive), where an asset that is principally acquired for business purposes would claim a full GST input tax deduction;
	3. introducing a 20 percent margin rule, whereby GST registered businesses would no longer make annual adjustments unless their business or private use of the asset has significantly changed (by more than 20 percent);
	4. introducing rounding-based rules for assets that are close to being either fully taxable (80 percent or more taxable use) or fully non-taxable (20 percent or less taxable use);
	5. potential options for improving the definitions of residential and commercial accommodation services;
	6. discussing if special rules should apply to the sale of houses and other types of dwellings, where they are treated as fully private assets and GST exempt on sale by a registered person other than a property developer;
	7. potential options for simplifying the GST apportionment rules for residential property developers whilst also encouraging land to be developed and sold sooner;
	8. other minor and incremental improvements that seek to reduce compliance costs for GST registered businesses and remove rules that are superseded by policy options outlined in the officials’ issues paper;
1. **agreed** to the release of the officials’ issues paper, subject to any minor, editorial or technical changes that may be authorised by the Minister of Revenue;
2. **authorised** the Minister of Revenue to determine the date of release of the officials’ issues paper.

Janine Harvey Committee Secretary

**Present: Officials present from:**

Hon Grant Robertson (Chair) Office of the Prime Minister

Hon Carmel Sepuloni Officials Committee for DEV Hon David Parker

Hon Poto Williams Hon Stuart Nash Hon Kris Faafoi Hon Willie Jackson Hon Michael Wood Hon Dr David Clark

Hon Dr Ayesha Verrall Hon Meka Whaitiri Hon Phil Twyford

Dr Deborah Russell MP