

GST registration for horse racing, breeding and trading investors or syndicates

INDUSTRY NOTE FOR DISTRIBUTION TO BLOODSTOCK SECTOR FOLLOWING MEETING WITH IRD IN AUGUST 2018

NZSBA participated in extensive discussion with the IRD in 2017 and 2018 on GST for racing and breeding following the *Drummond Case*. These are the agreed guidelines for GST registration as at 21 December 2018.

Inland Revenue test for GST registration for racing, breeding and/or trading investors or syndicates

- 1 In order to be registered for GST a taxpayer must be carrying on a "taxable activity". Taxable activity is defined broadly as:

any activity which is carried on continuously or regularly by any person, whether or not for a pecuniary profit, and involves or is intended to involve, in whole or in part, the supply of goods and services to any other person for a consideration; and includes any such activity carried on in the form of a business, trade, manufacture, profession, vocation, association, or club.
- 2 Excluded from the definition of "taxable activity" is any activity carried on as a private recreational pursuit or hobby.
- 3 Inland Revenue have set out the standard for GST registration of racing syndicates in QB 17/04 ["Goods and services tax – whether a racing syndicate can be a registered person"](#). Inland Revenue will apply a similar standard for standalone investors in racing and also for investors and/or syndicates in breeding and/or trading activities.
- 4 For investors and/or syndicates it is important that the nature of the activities is clear in the documentation and plans from the outset. For example, is the intention to race horses / breed horses or trade horses? To qualify for GST registration it needs to be demonstrated that the activity is not a private recreational pursuit or hobby. In QB 17/04 Inland Revenue have interpreted this to mean that the business plan must show an intention to make a profit from the activity (see example 4 of QB 17/04 which provides an example of the types of documentation and systematic operations that evidence a "taxable activity" for the purposes of GST registration).
- 5 Inland Revenue will apply QB 17/04 to the facts in each case, and Inland Revenue maintain that the standard will be difficult to meet in the case of racing as a standalone activity. Inland Revenue acknowledge that where there is clear evidence

at the outset of an intention to breed and/or trade for profit, the standard is less difficult to meet.

- 6 Inland Revenue is prepared to visit taxpayers with breeding and/or trading activities who promote investors into syndicates in order to be satisfied as to the commercial nature of operations so as to assist the position for GST registrations.

Inland Revenue point of contact for escalation

- 7 Inland Revenue acknowledged that a couple of years ago there was some inconsistency in the treatment of GST registrations. Efforts have been made to remedy that. If members of the industry are experiencing difficulties with GST registrations / where Inland Revenue conduct appears at odds with the approach outlined above, Graham Poppelwell at Inland Revenue is happy to be the point of contact.
- 8 Graham's contact details are as follows:

Graham Poppelwell
Group Lead, Small & Medium Enterprises
Graham.poppelwell@ird.govt.nz
Phone DDI: +64 7 959-1404 | Mobile: 029 959-1404

Industry practice of invoicing owners of part shares in a horse for GST under review

Inland Revenue are currently reviewing the longstanding industry practice of individual owners of a part share being invoiced separately and claiming GST on expenses incurred by them in respect of their part share. Once Inland Revenue have formed a final view they will discuss this issue with the industry. If there is to be any change Inland Revenue have indicated it would be effective on a prospective basis for periods after any change is notified.

"Stand out Yearling" purchases

- 9 In preparation for the new legislation taking effect following assent, Inland Revenue will be working alongside purchasers of these horses to ensure the process runs smoothly for all concerned.
- 10 They would like to contact those who expect to take up this new regime. An email to bloodstock@ird.govt.nz of your business details would be ideal to take this forward.

This note has been reviewed by Inland Revenue prior to circulation.

Potential investors may wish to seek professional advice or contact NZ Thoroughbred Breeders Association of NZ standardbred Breeders Assn if they have any questions in relation to this.