



GST on Internet Downloads and Online Services

What is happening?

1 October 2016 saw the introduction of GST onto internet downloads and other online services provided by non-New Zealand providers, often referred to as the 'Netflix tax'. Any non-resident business that is likely to have more than \$60,000 of these types of sales into New Zealand is required to register for GST.

What does this mean for me?

GST is only supposed to apply to consumers, so the supplier should not charge you GST if you are purchasing for your business and you are GST registered. However, the overseas companies are allowed to treat you as being not registered for GST unless you provide your GST number to them or some other evidence that you are a GST registered business.

What should I do about this?

We would like to think that these businesses have been proactive about checking the GST status of their customers, but we doubt they have. You will need to supply your GST number to these businesses. Take extra care over the next few months to check they are treating your business purchases correctly for GST.

What if I am charged GST by mistake?

If you are inadvertently charged GST you have to seek a refund from the supplier. If the bill is under \$1,000 (incl GST), the supplier has the choice of either providing you a refund or a tax invoice. If they choose the second option and they have provided you with a valid GST invoice then you can claim the expense like other expenses in your GST return. We think it will be a difficult process to get the refund, so it would be easier to supply your GST number and get it sorted before you actually pay for the service.

If I am not GST registered, can I get out of paying the GST?

There are big penalties if you are not GST registered and you advise the overseas supplier that you are or if you use a 'virtual private network' (VPN) to make it appear you live outside New Zealand to avoid the tax.

What overseas businesses will it apply to?

It is going to impact on a large number of overseas suppliers. Below is a list of **just a few** of the common businesses we see making supplies to our clients. **There is likely to be a lot more...**

- Anti-virus – Avast, McAfee, Norton, Trend Micro
- Apple
- Booking software – Booking.com, Expedia, Rezdy, Siteminder
- Facebook
- File storage websites
- Google
- Microsoft
- Netflix