

Submission on Inland Revenue's Current GST Issues Officials' Issues Paper

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Executive Summary

The New Zealand Qualified Bookkeepers Association (NZQBA) welcomes the opportunity to provide feedback on Inland Revenue's "Current GST Issues" Officials' Issues Paper.

This submission has also been informed by feedback from NZQBA members who work with businesses across New Zealand every day. Their practical experience has helped shape the recommendations included in this submission.

Our members are professional Bookkeepers supporting thousands of small and medium-sized businesses throughout New Zealand. Every day they help businesses meet their GST obligations, answer GST questions, identify compliance issues before they become significant, implement accounting software, and voluntarily correct historical errors. Their practical experience provides valuable insight into how GST policy operates outside legislation and within the day-to-day realities of running a small business.

Our feedback is structured around four key themes:

1. **Simplification** of GST compliance and administration.
2. **Practical and proportionate** error correction processes.
3. Ensuring future **digital reporting initiatives** reduce, rather than increase, compliance costs.
4. **Greater engagement** with the bookkeeping profession when designing and implementing GST reforms.

While this submission responds to specific proposals within the issues paper, it also highlights broader opportunities to improve GST administration for New Zealand's small business community.

Fundamentally, NZQBA believes that when the correct compliance path is also the simplest and most cost-effective path, voluntary compliance will be at its highest. Our recommendations are aimed at achieving this outcome, recognising that for small business owners, time is finite, accessing professional advice comes at a cost, and unnecessary complexity creates barriers to both business growth and compliance.

NZQBA sought feedback from members prior to preparing this submission. While the survey was not intended to be statistically representative, it provided valuable qualitative insights from Bookkeepers working with businesses across New Zealand.

A consistent theme emerging from member feedback was the growing interaction between GST administration and accounting software. While digital tools have significantly improved efficiency, members consistently highlighted that legislative settings, software functionality, and administrative processes need to evolve together to avoid creating additional compliance costs.

The Role of Bookkeepers in GST Compliance

To provide context for this submission, it is essential to understand the critical role bookkeepers play in New Zealand's tax ecosystem. For many small businesses, bookkeepers are the primary advisors responsible for day-to-day GST compliance. It is typically bookkeepers who:

- Maintain accounting records and process transactions.
- Prepare and file GST returns.
- Are the first to identify historical errors and omissions.
- Implement and manage accounting software systems.
- Support business owners through Inland Revenue reviews.
- Educate clients on their day-to-day compliance obligations.

Because bookkeepers work directly with business records and transactions, they experience first-hand the practical impacts of GST legislation, Inland Revenue administration, and accounting software functionality. We are uniquely positioned to identify emerging issues, common taxpayer misunderstandings, and opportunities to improve administrative efficiency.

Chapter 5 – Correcting Errors and Inaccuracies

We strongly support the objective of creating a more coherent framework for correcting GST errors. The overwhelming majority of errors identified by our members are genuine mistakes arising from coding errors, misunderstandings of GST treatment, or historical errors inherited from previous advisors. They are not deliberate non-compliance.

Recommendation 1: Retain the existing extended period for correcting genuine errors and claiming refunds arising from clear mistakes or simple oversights. (relates to Question 30)

We strongly oppose the proposal to remove the extended four-year period for claiming refunds arising from "clear mistakes or simple oversights". The rationale that this is no longer appropriate in a modern environment overlooks several realities for small businesses.

- **Principle of Fairness:** Taxpayers are legally required to keep records for at least seven years. It is fundamentally unfair to bar them from claiming a refund for a genuine error discovered in year six or seven of that period. If Inland Revenue has received tax it was not entitled to, it should be refunded. This principle should be symmetrical: if a taxpayer owes tax, Inland Revenue would rightly expect payment; if Inland Revenue owes a refund, the taxpayer should be paid.
- **Encouraging Disclosure:** Removing the extended period discourages disclosure. There is no incentive to correct an error from six years ago if a legitimate refund is time-barred. This is contrary to the goal of maintaining an accurate tax system.
- **The Reality of Small Business Advice:** Errors are often only discovered when a new, qualified bookkeeper is engaged and reviews historical data. It is inequitable to penalise a business owner for a past mistake they had no way of knowing was incorrect.

Recommendation 2: Introduce a safe harbour for voluntary disclosure (Additional NZQBA recommendation.)

The automatic application of penalties and interest for genuine, self-disclosed errors is a major deterrent to correction. When a bookkeeper identifies a historical underpayment, the business owner faces the tax payable plus penalties and interest, plus the professional fees to fix the issue. This creates a situation where the cost and stress of correcting an honest mistake can feel like a punishment, actively discouraging the voluntary compliance that Inland Revenue seeks to promote.

A safe harbour for voluntarily disclosed, genuine mistakes—where only the core tax is payable—would significantly improve voluntary compliance and encourage early disclosure of genuine errors. This could be a symmetrical arrangement: no interest on refunds, and no interest on tax payable for these specific corrections.

This approach would align with Inland Revenue's broader objective of encouraging voluntary compliance and early correction of genuine mistakes.

Recommendation 3: Prioritise current-period adjustments. (Relates to Question 24.)

We strongly support allowing errors to be corrected via current-period adjustments wherever possible.

Feedback received from NZQBA members consistently highlighted the practical difficulties associated with correcting historical GST returns within modern accounting software.

Amending a past return often requires unlocking every subsequent period, creating significant data integrity risks and requiring multiple returns to be re-filed. This is disproportionately time-consuming and costly, and it actively discourages businesses from making corrections. Aligning the correction method with how software actually works is a critical modernisation step. Tax administration should work with modern accounting systems rather than requiring taxpayers to work around them.

Chapter 7 – Modernising the GST Act & Guidance

Recommendation 4: Commit to a long-term rewrite of the GST Act while improving practical guidance (Relates to Questions 40 and 41.)

While we understand the significant resources a full rewrite entails, we believe a targeted modernisation project risks being a temporary fix. The Act's complexity has accumulated over 40 years and simply restructuring it may not resolve the underlying issues. A full rewrite, prioritising plain language and usability, should be the ultimate strategic objective.

In the interim, the most significant impact would come from providing simplified, practical guidance for commonly misunderstood areas. Our members consistently identify the following as sources of confusion and error:

- **Mixed-Use Expenditure:** The compliance effort associated with apportionment for vehicles, home offices, mobile phones, internet services and other mixed-use assets is often significant relative to the tax involved. Member feedback also identified entertainment expenditure as a common area of confusion. We encourage the exploration of safe-harbour approaches.
- **Digital Platforms & Overseas Transactions:** There is immense confusion around the GST treatment of transactions via platforms like *Airbnb*, *Booking.com*, and *Uber*, as well as overseas digital subscriptions, software services such as Microsoft 365, Adobe, Zoom and similar subscriptions.
- **Cash Accounting vs Invoice Accounting:** Business owners frequently misunderstand the differences between these accounting bases, particularly when changing reporting methods or preparing their first GST returns. Additional practical guidance and examples would be valuable.
- **Reverse Charge Mechanism:** The current mechanism for overseas digital services is impractical for small businesses, especially for low-value items like a \$40 inclusive subscription (Tax amount ~\$4.56). The compliance time and cost far exceed the tax, leading to widespread non-compliance. A simplified process or a de minimis threshold is urgently needed.

These examples, drawn directly from member feedback, illustrate that the complexity of the GST Act is not simply a technical issue—it has practical consequences for New Zealand businesses. Where GST rules are difficult to understand or apply, compliance becomes more time-consuming, more expensive, and more prone to error. Simplification in these areas would support Inland Revenue's objective of improving voluntary compliance while reducing unnecessary compliance costs.

Recommendation 5: Modernise Record-Keeping Rules for the Digital Economy (Relates to Questions 40, 49 and 50.)

The Problem: An Analogue Rule in a Digital World

The current application of record-keeping requirements under the Tax Administration Act 1994 and the Goods and Services Tax Act 1985 is creating significant and unnecessary compliance costs for small businesses operating in the digital economy. Under current interpretation, a taxpayer must actively download and "hold" or "possess" taxable supply information to substantiate a GST claim. The mere ability to access this information through a secure, permanent online account is considered insufficient as the taxpayer does not have direct possession and control of the record.

This interpretation, while legally sound based on the current legislative wording, is disconnected from the reality of modern commerce and the sentiment of business owners who find the rules nonsensical in a digital age. Businesses now engage with dozens of digital service providers—from software subscriptions (eg, ChatGPT, Adobe) and advertising platforms (eg, Facebook, Google) to transport and accommodation (eg, Uber, Booking.com). The administrative burden this creates is substantial.

Practical Difficulties for Small Business

Our members report that the process of obtaining and retaining the required documentation is a major source of frustration and wasted time. The key issues are:

1. **Excessive Administrative Overhead:** For every subscription or service, the taxpayer or their advisor must:
 - Log in to a separate online portal.
 - Navigate a unique interface to find the invoice or receipt section.
 - Individually download each periodic invoice (often monthly).
 - Save the document to their own system. This process must be repeated for every supplier, every GST period. This is a manual, time-consuming process that offers little value, especially when the expense is clearly for business purposes. The time spent "chasing missing invoices and receipts" was identified as one of the most time-consuming GST processes in our member survey.
2. **Inconsistent Supplier Practices:** There is no standardisation in how digital vendors provide tax documentation.
 - Some providers email a PDF invoice, which can be easily automated into accounting software.
 - Many, like ChatGPT and Uber, require the user to manually log in and download the document.
 - The GST treatment itself is inconsistent, with some applying 15% GST, some being zero-rated, and others requiring the recipient to perform a reverse charge calculation. This complexity is compounded by the difficulty in obtaining the source document in the first place.
3. **Risk and Control Misalignment:** The law places the onus of record retention squarely on the taxpayer, arguing they must control the record's existence and format. However, in a cloud-based world, the user has a contractual right to their data, and large multinational suppliers have far more robust data retention and security systems than the average small business. To suggest a small business downloading a PDF to a local hard drive is a more secure or reliable form of record-keeping than it being held on Uber's or Google's servers is questionable.

This compliance friction directly contradicts the policy objective of reducing administrative costs for small and medium-sized enterprises.

We recommend a two-pronged approach to modernise these rules and alleviate the burden on businesses:

Recommendation 6: Legislate to Modernise the Definition of "Keeping" a Record:

The law should be amended to explicitly state that for digital services, a record is considered to be "kept" by the taxpayer if it is permanently accessible to them through a secure, dedicated online account provided by the supplier. This would eliminate the requirement for manual downloading, aligning the law with modern business practice. This reflects the sentiment of our members, one of whom suggested simplifying the rules to a simpler test: if a business can

reasonably demonstrate a purchase was for business and the amount can be verified, GST should be claimable without having to focus so heavily on the specific format of the documentation.

Recommendation 7: Mandate the Provision of Taxable Supply Information

In conjunction with the above, we recommend that regulations require suppliers of digital services to remote customers in New Zealand to automatically email taxable supply information (in a machine-readable format, such as an embedded PDF) to the customer at the time of each transaction. This would:

- Vastly simplify compliance for taxpayers.
- Enable seamless automation into accounting software.
- Ensure necessary information is provided consistently and proactively.
- Place a minor administrative duty on the supplier, who is best placed and technologically equipped to handle it.

Implementing these changes would represent a significant, practical step toward modernising the GST framework and reducing the compliance burden where it is most acutely felt by small businesses.

Chapter 9 – E-Invoicing and Digital Reporting

Recommendation 8: Ensure digital reporting demonstrably reduces compliance costs (Relates to Questions 49 and 50.)

NZQBA believes current record-keeping requirements no longer reflect how modern businesses purchase, receive and store digital information.

NZQBA supports innovation where it results in measurable reductions in compliance costs for businesses. We support the continued voluntary, business-driven adoption of e-invoicing. However, we have significant reservations about any move towards mandatory e-invoicing or transaction-level reporting.

While members generally supported innovation, many expressed concern that automation should not come at the expense of accuracy or create additional work through incorrect coding or duplicate processes.

- **Technology Must Reduce Effort:** Any digital reform must leverage information already in accounting software, not create duplicate reporting requirements. Businesses should not be required to enter the same information multiple times into different systems. It should streamline processes, not just shift the cost of compliance from manual entry to software subscriptions and implementation.
- **Practical Implementation:** E-invoicing systems cannot just be an overlay for invoice data. To be truly effective and reduce manual handling, they must fully integrate all associated documentation, including PDF invoices, CSV files, photos of receipts, and other attachments.

- **Minimum Software Standards:** If Inland Revenue expects taxpayers to rely increasingly on digital systems, there must also be confidence that commercially available accounting software supports compliance with New Zealand tax law. Business owners invest heavily in software and reasonably expect it to calculate tax correctly. Where software limitations or incorrect system logic contribute to compliance failures, the responsibility should not rest solely with the business owner. To build this confidence, NZQBA encourages Inland Revenue to work alongside software providers to promote a framework of minimum compliance standards. This would ensure any "accepted software package" can be trusted to perform core functions accurately, such as:
 - Correctly calculating GST and other tax liabilities based on current legislation;
 - Maintaining data integrity and providing clear audit trails for transactions and adjustments;
 - Enabling retrospective corrections and recalculations where necessary; and
 - Communicating securely and reliably with Inland Revenue's systems.

A collaborative approach to standards would protect small businesses, support the integrity of the tax system, and ensure that the push for digitalisation genuinely reduces compliance burdens.

Additional Issues – GST Registration Threshold

Recommendation 9: Review the GST registration threshold and introduce regular reviews (Additional NZQBA recommendation.)

The compulsory GST registration threshold has remained at \$60,000 since 1 April 2009. Based on inflation, the equivalent threshold today would be approximately \$93,000. NZQBA considers it timely that the registration threshold be reviewed to ensure it remains appropriate for today's business environment.

The current threshold captures many very small businesses whose compliance costs are disproportionately high relative to the GST revenue collected.

Furthermore, we recommend a formal mechanism to review the threshold every five years or to index it to inflation. This would prevent it from becoming outdated again.

We also note that the "rolling 12-month" turnover calculation is one of the most common GST misunderstandings encountered by professional Bookkeepers when working with new business owners. This leads to unintentional late registrations. A simpler, more forgiving process for genuine late registrations by micro-businesses—one that focuses on education and future compliance rather than penalties—would be a more constructive approach.

Recommendation 10: Expand practical GST guidance for small businesses and advisers (Additional NZQBA recommendation.)

Inland Revenue should continue investing in practical GST guidance co-designed with Bookkeepers, accountants and small business representatives.

Throughout this submission, NZQBA has emphasised the importance of proportionality. Compliance obligations should reflect the size, complexity and risk profile of the business concerned. Where compliance costs outweigh the revenue or integrity benefits achieved, Inland Revenue should continue exploring opportunities for simplification.

Conclusion

NZQBA appreciates the opportunity to contribute to this important consultation. We urge Inland Revenue to prioritise simplicity, certainty, and practical administration for New Zealand's small business sector. The most effective tax system is one that is understood by ordinary taxpayers and is efficient for them to comply with.

Professional Bookkeepers are uniquely positioned to provide practical insights into how GST operates in the real world. NZQBA welcomes the growing recognition of the profession within Inland Revenue's recent policy work and encourages continued engagement with recognised Bookkeeper representative bodies when considering future GST administration, digital reporting initiatives, and tax policy affecting New Zealand's small business sector.

NZQBA appreciates the opportunity to contribute to this review and welcomes ongoing engagement with Inland Revenue. We remain committed to supporting practical, proportionate GST settings that improve voluntary compliance while reducing unnecessary compliance costs for New Zealand businesses

NZQBA looks forward to continuing to work constructively with Inland Revenue to ensure future GST policy is practical, proportionate and reflects the realities faced by New Zealand businesses and the Bookkeepers who support them.

Contributors

NZQBA acknowledges the valuable contribution of members who participated in our GST member survey, together with the following contributors:

- **Sandi Gray and Kenn Cabigayan**, NZQBA
- **Emma Diver**, Balanced Books NZ

on behalf of the New Zealand Qualified Bookkeepers Association.

NZQBA would welcome the opportunity to discuss any aspect of this submission or provide further practical examples from the bookkeeping profession to assist Inland Revenue as this work progresses.

APPENDIX A

Member survey responses

Between 23 and 26 June 2026, NZQBA invited members to provide feedback on practical GST issues they encounter in their day-to-day work. Thirteen members responded. The responses have informed the recommendations contained within this submission and are reproduced below in the form submitted by respondents (minor formatting changes only).

Responses have been grouped under each survey question exactly as received. Minor formatting and spelling corrections have been made for readability only.

What GST issue causes the most confusion?

Member responses:

- Overseas GST
- Reconciling GST return (report) balance to Balance Sheet (liability)
- Entertainment expenses and second hand goods
- Airbnb , Subscriptions to overseas companies , Booking.com
- Overseas transactions, like subscriptions. Knowing which have GST and which dont
- "Third-party booking platforms (Expedia, Booking.com, Airbnb, Uber etc.) This comes up constantly because:
 - The payment receipt often doesn't show GST.
 - The accommodation provider may later issue a tax invoice.
 - The amount charged may differ from the provider's standard rate because of discounts or commissions.
- It's unclear who actually supplied the service for GST purposes."
- I don't find it confusing
- That filing due date and GST due date is the same date.
- GST reconciliations on Xero
- No Gst and Zero Rated

What GST process takes the most time?

Member responses:

- When a reconciliation is required, or if there are a lot of coding queries to go through with the client
- Trying to figure out why the GST return report never balances with the balance sheet total. Xero reconciliation report is only focused on accrual basis when most small clients are on payments basis. Xero reconciliation report makes you repeat all the past figures and doesn't save past figures that have already been reconciled.
- Entertainment expenses and second hand goods
- Fixing errors
- Chasing missing invoices and receipts.
- Finding GST receipts

- The reconciliation process to check the amount payable
- Checking transactions
- Getting client's to approve transactions before we can finalise GST
- Checking transactions in the returns

What GST rule would you simplify?

Member responses

- Entertainment
- Only have one basis; accrual . Simplify all reporting to only do one method. One of my clients using Reckon had the main setting as accrual basis (giving the balance sheet total), but they were running the GST101 report in cash basis and paying that to IRD - the GST Payable submitted to IRD never balances with the balance sheet GST liability. How can accounting packages allow both methods to happen at the same time?
- Entertainment expenses and second hand goods
- Having straight forward receipts that show GST claimable or not
- GST on international transactions
- "The documentary evidence requirements for claiming GST. The principle is sensible. Businesses should have evidence before claiming GST. The problem is that in practice, the rules can become surprisingly complicated. I'd move to a much simpler test:
 - If a registered business can reasonably demonstrate:
 - the purchase was for business purposes,
 - the supplier is GST registered (where applicable), and
 - the amount paid can be verified,
 then GST can be claimed. Having to determine GST treatment based on the quality of the supporting documentation rather than the nature of the transaction itself."
- Having a centralised place where we could search if a person/organisation is GST registered.
- I think the rules are straight forward - GST on entertainment may cause confusion for some
- Removing GST from all food items
- Rules around subscription costs, knowing whether something has GST or not.

What concerns do you have about e-Invoicing?

Member responses:

- I'm in a small town and there's just not enough interest in getting that automated. It's a hard sell.
- It doesn't work with Xero repeating invoices. It opens up the ability for more false supplier invoices slipping through. Automating processes are not always better - the new Xero auto-reconcile is causing HUGE headaches and I have to double-check everything. e.g. a client regularly paid a supplier for materials, so was coding as COGS. Then they put a deposit on a fixed asset purchase at the same supplier and Xero auto-

reconcile coded it to COGS. That slipped through a GST return as it wasn't picked up until the next GST period when the final payment to the supplier went through.

- Haven't used it yet
- None
- "Low supplier adoption. eInvoicing makes invoice delivery more efficient, but it doesn't automatically make invoices correct. Reduced review of incoming invoices. Supplier onboarding - still need to verify bank details. Despite those concerns, I'm generally supportive of eInvoicing because it can:
 - Reduce manual data entry
 - Reduce keying errors
 - Speed up invoice delivery
 - Improve payment timeliness
 - Reduce lost invoices
 - Improve audit trails"
- None, it's a great way to invoice
- You don't receive an actual invoice. Compliance says it is the tax payer's responsibility to keep invoice records, no invoice means no compliance.
- Not getting a copy of the original invoice to compare the cost to
- It is a manual step to login and approve them before they get sent to your accounting software. Kinda defeats the purpose and means double handling.

Have you had difficulty correcting GST errors?

Member responses:

- Not generally, no
- YES. It seems that each return if you make an adjustment, there's still another imbalance the next return. I think it is probably related to "late" entries. I had another nightmare Reckon situation where there was a lock date in place for the prior financial year, but the client still adjusted a prior year transaction because a warning came up about the past date but could be overwritten with a password. It took considerable time to work out why the opening BS balance for the new year did not match the closing BS balance for the previous year - all because of a transaction edited for a prior year. I could not find any reports that I could print where a transaction date prior to the financial year was edited after the year end date. That would be a VERY helpful report to have.
- Only ever had to correct once, due to incompetent accountant
- Easy if you know what to look for
- Generally, no. Only when part of a batch payment that was already complicated by other factors.
- No, I have been in touch with the IRD in the past as required and they are very approachable if there is any uncertainty around correcting historic errors
- Not with Xero, I find it really straight forward and the system allows for updating GST with previous coding errors.
- not a lot