



Taxation Module

Topic 4 Getting to grips with GST

THEME Managing my money

Name:



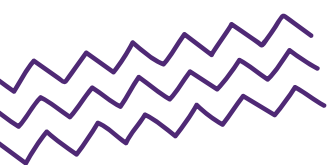
Inland Revenue
Te Tari Taake

Te whai hua - kia ora!

sorted
in Schools

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Nau mai haere mai!

Welcome to the topic Getting to grips with GST

GST means goods and services tax. This is a tax added to goods and services, including things that are bought online from overseas. Consumers pay tax on nearly every transaction they make and sometimes are unaware they are doing so.

As the final consumer, you pay 15% GST. Think about this amount next time you make a purchase.



In this topic you will explore:

- **Section One:** What are goods and services (GST)?
- **Section Two:** How does GST work?
- **Section Three:** How is GST paid and collected?

The topic will support you with:



TAX Facts

The key ideas you need to know about the tax system in Aotearoa New Zealand.



TAX Chats

Ideas or questions that you can discuss with other students. These will challenge you to think about different ideas and perspectives about the tax system.



TAX Tasks

Tasks that will help you learn about the tax system and how decisions are made about the spending of taxes.



TAX Checkpoints

Questions to check that you are on track with your learning.



TAX Assessment Task

You will select one task to demonstrate your understanding of the topic.



TAX Smart

An assessment rubric for you to assess your own outcomes.

Introduction

This topic develops your understanding of how GST (goods and services tax) works in Aotearoa New Zealand.

Learning Outcomes

After completing this topic you will be able to:

- ✓ Describe the difference between goods and services
- ✓ Explain the goods and services tax (GST)
- ✓ Describe the difference between inclusive and exclusive prices of products and services in Aotearoa New Zealand
- ✓ Explain ways the goods and services tax (GST) is paid and collected.

Success criteria

At the end of this topic you will select a task to complete for your assessment, so it is important to complete all sections. To support your learning it is important to complete the TAX Facts, TAX Chats, TAX Checkpoints and TAX Tasks so you can demonstrate your understanding of GST.

To be successful you will need to:

- ✓ Identify and use the key GST vocabulary
- ✓ Use a calculator to add 15% GST to goods or services
- ✓ Use a calculator to deduct the GST amount from a retail price
- ✓ Read and interpret a GST flow diagram
- ✓ Create a flow diagram for 'producer to consumer'
- ✓ Access and read the GST information on the Inland Revenue website.

Section One: What are goods and services?

Learning Outcomes for Section One

- ✓ Describe the difference between goods and services
- ✓ Explain the goods and services tax (GST).

Success criteria

- ✓ I can explain the difference between goods and services and give examples from the topic
- ✓ I can explain how GST Works if you are the consumer.

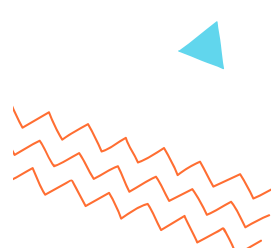
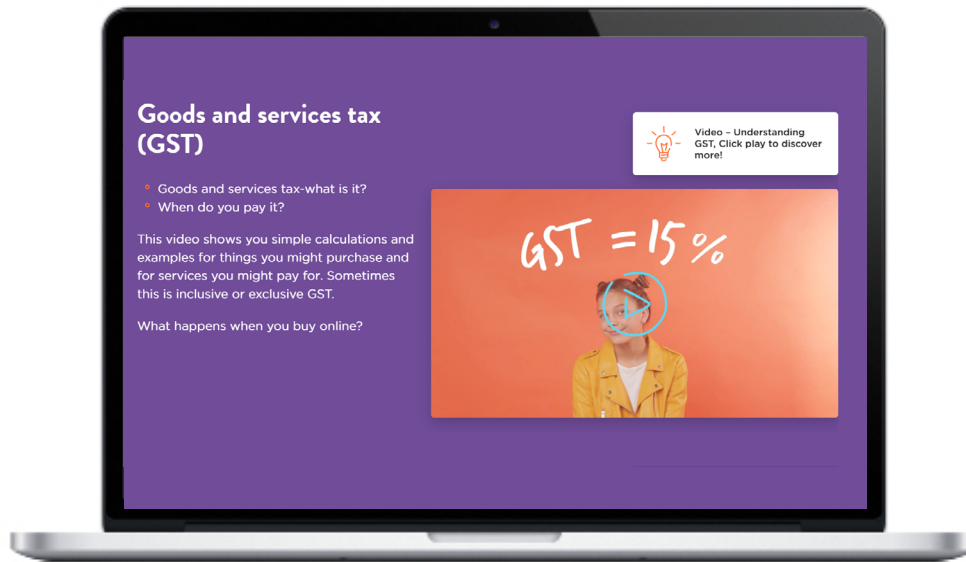
Goods are things that you buy, from small things such as clothing or a jar of Marmite to large items such as a computer, car, or fridge. Services are activities provided by other people, for example, a dentist fixing a hole in your tooth or a hairdresser giving you a haircut.

What is a goods and services tax (GST)?

GST is a tax that is added to most goods and services that New Zealanders buy. GST is 15% of the price that you would pay for most goods or services. When you buy things from a shop, the GST is already included in the price so you probably don't even notice it. This means that fifteen cents in every dollar you spend is collected by Inland Revenue for the government. If you/your business is registered for GST with Inland Revenue you can claim back the GST you pay on goods or services that you purchase for your business, and add the GST to what you sell.

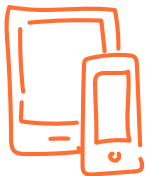


Watch this Sorted in Schools video about GST.



TAX Facts

GST was introduced to Aotearoa New Zealand in 1986. Read these newspaper articles to read about the introduction of GST in Aotearoa New Zealand:



The goods and service tax act comes into force.

The beginning of GST and the radical financial changes for Kiwis.

GST was introduced to Aotearoa New Zealand in 1986. Read these newspaper articles to read about the introduction of GST in Aotearoa New Zealand:

In pairs, discuss:

1. Why do you think the GST tax was introduced?
2. Why do you think New Zealanders viewed it as a radical change?
3. Share your responses with other students.



TAX Checkpoint

Let's see what you have learned so far.

1) List the last three goods that you purchased.

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2) Describe what services are.

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3) List the last three services that you paid for yourself or were paid for on your behalf.

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4) How much is the GST in Aotearoa New Zealand?

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Before moving on to Section Two, check that you can:

- ☐ Explain the difference between goods and services and give examples from the topic
- ☐ Explain how GST works if you are the consumer.

Section Two:

How does GST work?

Learning Outcomes for Section Two

- ✓ Describe the difference between inclusive and exclusive prices of products and services in Aotearoa New Zealand.

Success criteria

- ✓ I can use a GST calculator to calculate both GST inclusive and GST exclusive prices
- ✓ I can explain what goods and services are exempt and explain why.

Exclusive or inclusive?

GST is already included in the price tag of most things you buy, so you may not be aware that you are paying tax when you purchase them. But services are often advertised as being “GST inclusive” or “GST exclusive”.

GST inclusive (often shortened to “incl GST” or “GST inc” or “+GST”) means that the price already includes the GST.

GST exclusive (often shortened to “excl GST” or “GST exc”) means that the GST is not included in the price. The amount you pay will be 15% percent higher. GST exclusive is often seen on a quote or an invoice by a service provider.





TAX Task 1: Docket Day

Bring five dockets, receipts or invoices to school for purchases made by you or your family, whānau, aiga, or kāinga.

In small groups:

- Divide the dockets, receipts or invoices into two piles GST (inc) and GST (exc)
- Discuss how the GST is represented in these dockets, receipts or invoices
- Add up the GST spent in total.



TAX Chats

- There have been campaigns from individuals and political parties to have the GST removed from essential items such as food. As a consumer what are your views on this perspective?
- Sellers are not necessarily retailers. If you attend an event such as Polyfest, Kapahaka festivals, A&P shows, fundraising events etc. goods and services are sold by individuals or groups wanting to make money. Do you think that this money should be subject to GST?

Is there anything I don't pay GST on?

Some things you buy do not have GST added to the price.

Common examples are:

- Rent on the house or flat you live in (but you do pay GST if you rent a holiday home)
- Airfares for overseas travel (GST is added on the invoice by at 0% as it is a zero rated supply)
- Mortgage repayments.

GST can't be charged on some goods and services – these are called exempt supplies. If you are a business you cannot charge GST on these goods or services. You do not include these supplies in your GST return.

The most common exempt supplies ones are:

- Letting property as a private dwelling
- Interest you receive
- The sale of donated goods and services by a non-profit body
- Certain financial services such as mortgage loans or shares.





TAX Checkpoint



Let's see what you have learned so far.

1) Describe what inclusive of GST and exclusive of GST mean.

2) Explain why invoices for services state a price that is exclusive of GST.

3) Describe products that are exempt from GST.

4) Explain why they are exempt from GST.



If you are unsure it is okay to go back and double check



TAX Task 2: GST - how does it work?

If you are a consumer you are paying tax nearly every time you purchase goods or a service. The GST is added as a percentage; 15% GST has been added to the price. There are many methods for working out GST but for the purpose of this task you need to use a GST calculator.

Use the GST calculator to check or complete the following tables.

Goods and Services	\$ Value GST exclusive	GST (15%)	Retail price GST inclusive
Mobile phone	\$779.00	\$116.85	\$895.85
Hamburger	\$15.10	\$2.25	\$17.35
Running Shoes	\$140.07	\$20.86	\$160.93

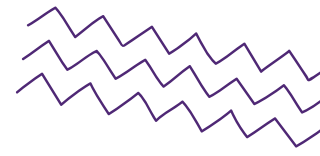
Goods and Services	\$ Value GST exclusive	GST (15%)	Retail price GST inclusive
Hair cut	\$28.00		
Music download	\$3.99		
Phone insurance Per annum	\$115.00		
Online movies (1 month)	\$35.29		

Goods and Services	\$ Value GST exclusive	GST (15%)	Retail price GST inclusive
Tyre for car	\$172.18	\$25.82	\$198.00
Drivers Licence	\$94.79	\$14.21	\$109.50
Driving Lesson (1 hour)	\$65.22	\$9.78	\$75

Goods and Services	\$ Value GST exclusive	GST (15%)	Retail price GST inclusive
Movie Ticket			\$13.50
Concert Ticket			\$121.00
Theme park admission			\$49.00
Ball Ticket			\$75.00

Before moving on to Section Three, check that you can:

- ☐ Use GST calculator to calculate both GST inclusive and GST exclusive prices
- ☐ Explain what goods and services are exempt and explain why.



Section Three: How is GST paid and collected?

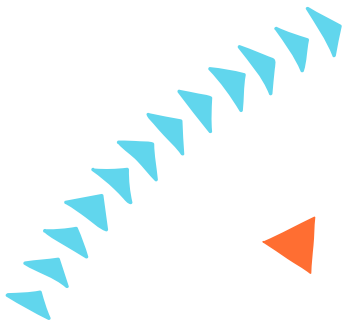


Learning Outcomes for Section Two

- ✓ Explain ways the Goods and Services Tax (GST) is paid and collected.

Success criteria

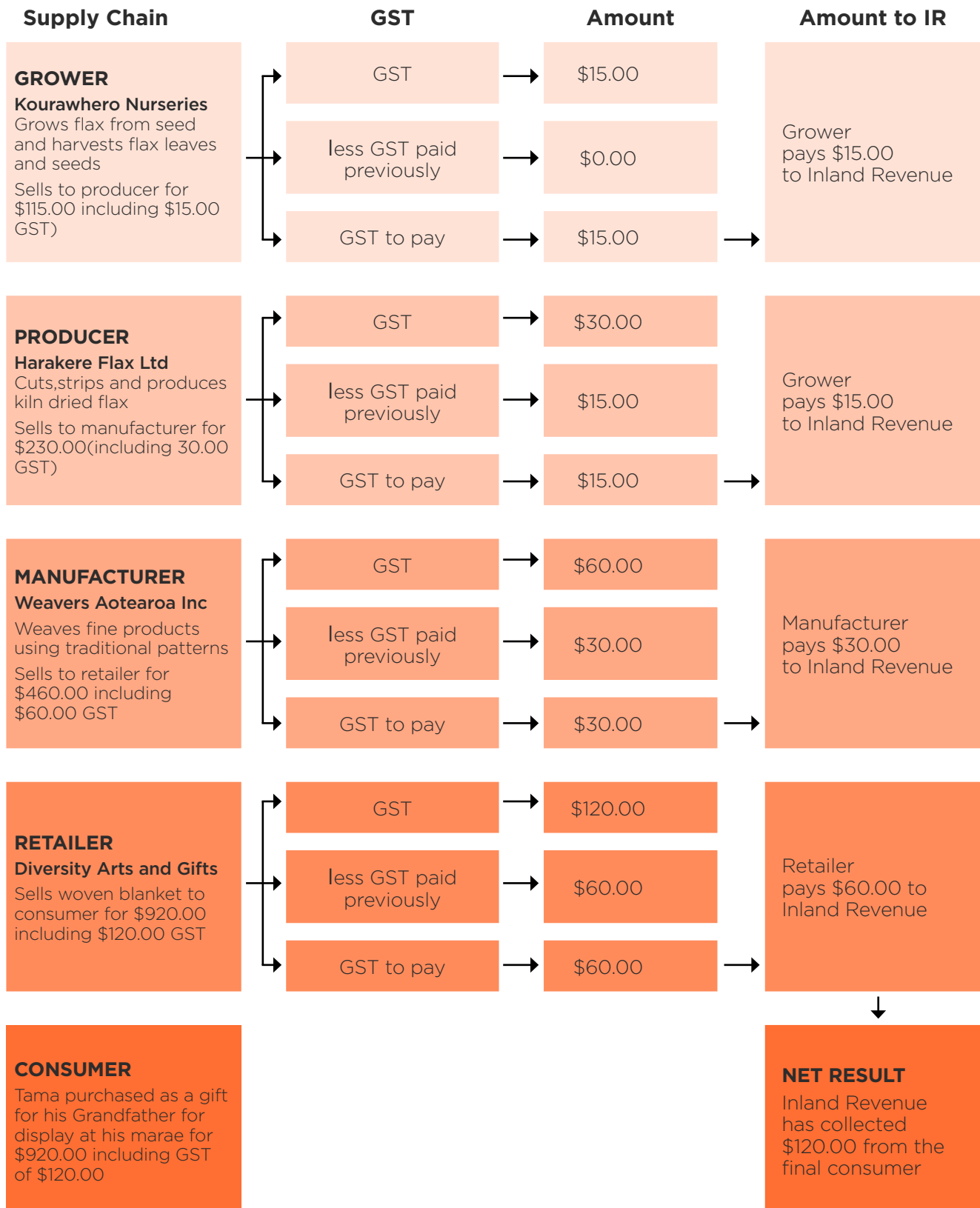
- ✓ I can explain the process of collecting and paying tax at each stage of the Grower to Consumer flow diagram.





In groups discuss the flowchart example. Use a [GST calculator](#) to check the amounts as you go.

GST FLOW CHART: GROWER TO CUSTOMER





TAX Facts

Looking at the table on the previous page:

1) Who collected the final GST payment?

2) What is the net amount that the retailer has to send to Inland Revenue?

3) What is the full amount of GST finally paid to Inland Revenue?

4) Where does the difference between the amount paid by the retailer and the buyer come from?

5) What is the difference between the net amount and the full amount?

6) Who pays the full GST amount?

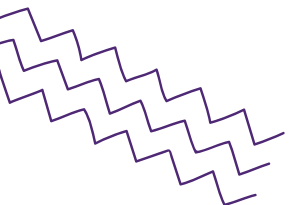


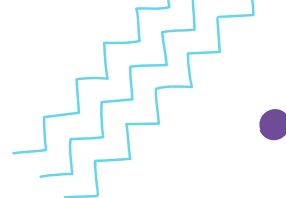
TAX Task 3: Grower to Consumer

Use the blank GST flowchart on following page to demonstrate another Grower to Consumer example. Use an example that you or your family, whānau, aiga, or kāinga might identify with from a cultural perspective or something that has meaning to them. Start with the item that you purchased from a seller or retailer. This might be a certain food you purchase for a celebration or meal, or a costume that you might wear, or a mat or other woven product, a carving, a wool product or an animal skin if you live on a farm etc.

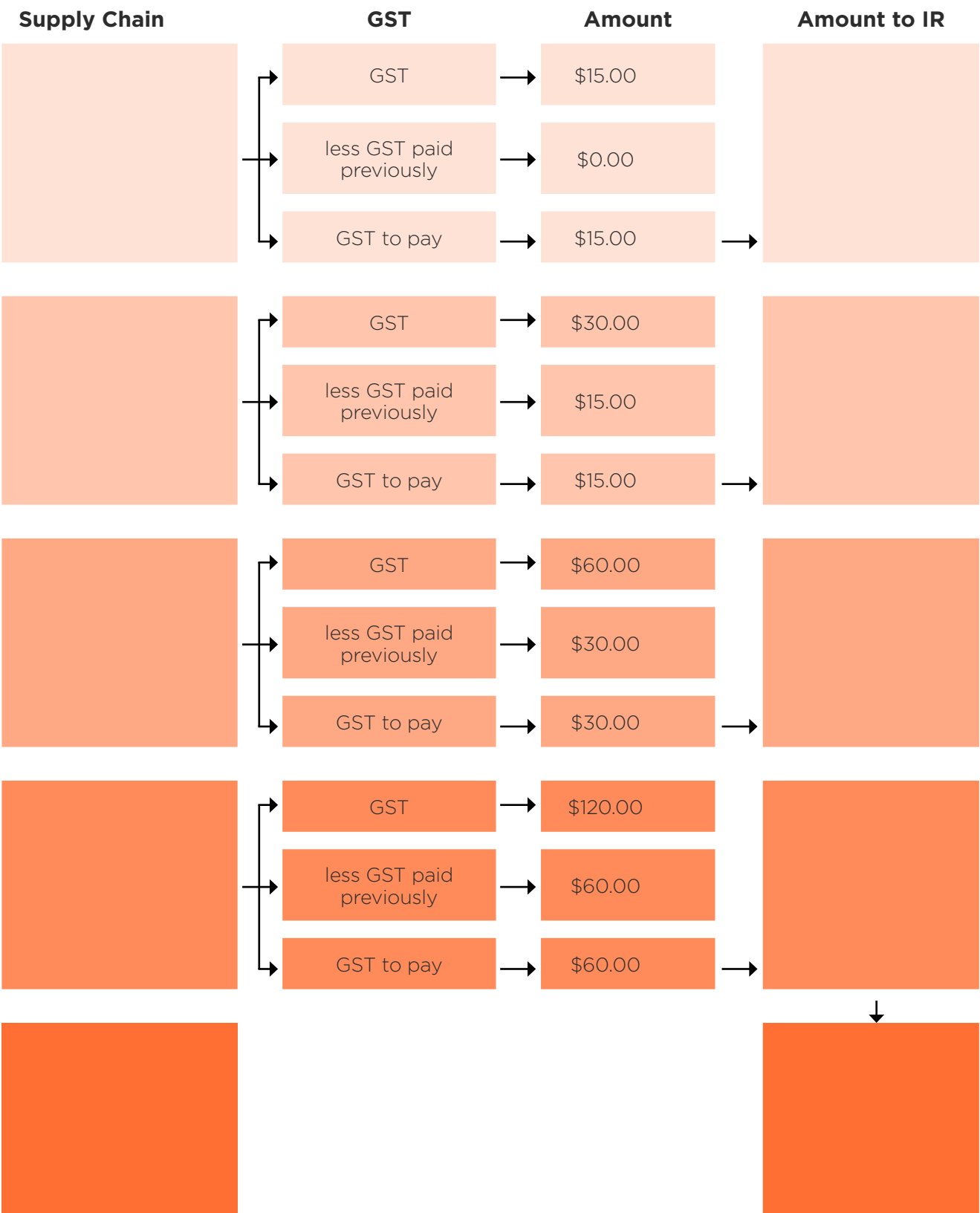
Start with your purchased item. Use the [GST calculator](#).

- Who is my supply chain?
- Who grew this product? (Name of grower and price sold for GST inc)
- Who processed this product to prepare it ready for manufacturing/making? (Name of producer and price sold for GST inc)
- Who is the manufacturer /maker and what did they make with this by-product? (Name of manufacturer and price sold for GST inc)
- Who is the retailer or the seller? (Name of manufacturer and price sold for GST inc)
- Name of the final consumer and the price paid (GST inc).





GST FLOW CHART: GROWER TO CUSTOMER



How do businesses pay GST?

Whether you're a sole trader, a contractor, or in a partnership, you need to register for GST if you earn above \$60,000; it is easy to register for GST.

When you sell goods or services you charge your customers 15% GST.

When you spend money and buy goods and services for your business you can claim the GST component you spent back on your next GST claim.

Paying GST as a business owner - it's easy!	
Pay at bank	Make an EFTPOS, cash or ATM payment at any Westpac branch.
Pay electronically	Make a payment using internet banking with payments either using Visa or Mastercard credit or debit cards. Make payment directly into <u>myIR</u> and by setting up automatic payments from your bank account.
Pay by instalments and arrangements	If the amount in full cannot be paid then instalment payments allow payments of smaller amounts over a longer period of time. Contact <u>Inland revenue</u> to make these arrangements.
Paying from overseas	Make <u>payment directly</u> into myIR and by setting up automatic payments from a nominated bank account. Visa or Mastercard credit and debit cards, as well as international money transfers are other options.
Paying by phone	Make a debit or a credit card arrangement using the <u>self-service phone line</u> at Inland Revenue

GST – quick reference

GST is a tax on goods and services supplied in New Zealand by GST-registered persons. It may also apply to imported goods and certain imported services. It is generally charged and accounted for at a rate of 15%. Anyone who carries on a taxable activity, or who intends to do so from a definite date, may register for GST.

Download this quick reference guide.

If you were to advise a family, whānau, aiga, or kāinga member who was thinking of setting up a business, what would you consider to be the 10 key points you would share with them?

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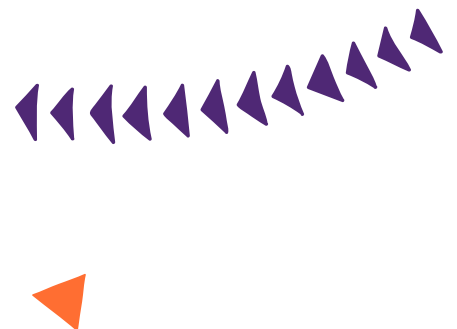
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TAX Task 4:

Case Studies - What can you claim GST back on?



Case studies What you can claim GST on

Joanne runs a home-based business selling bags she makes herself and Mike's just started his building business.

Joanne is GST registered, so collects GST on the sales of her bags, and claims it back on purchases like:

- materials and supplies for making her bags
- her new sewing machine.

She can also claim:

- taxi fares to business meetings
- a laptop she bought to manage her business finances
- the accounting software she uses
- food and drink bought when entertaining clients.

Mike's just started his building business. He's not sure if he'll earn more than \$60,000 in his first year, but he's registering for GST straight away because he has big expenses — he'll claim GST back on:

- the ute he bought for work
- his work tools
- tools he bought for his apprentice
- the computer, printer and mobile phone he bought for business use only
- the GST portion of his work mobile phone bill
- his accountant's fees.

[Quiz: Claiming expenses](#)

Check out these links to see what you can claim GST back on when starting up a new business.

What you can claim GST on

I am starting a new business

Starting a business

Case Study 1: Atamai - artist and designer

Atamai started a market day business when she was at secondary school as part of her business studies class. She is talented at art and used this skill to design and make a modern version of barkcloth (siapo), as well as tapa styled art prints. When she left school she decided to start her own business.

Case Study 2: Anitelu - website developer

Anitelu has been designing and running websites for small businesses since year 11. He is now completing a degree in computer engineering. He has decided to set up a new business so he can upscale his model.

- 1)** Make a list of what either Atamai or Anitelu needs to set up and what they can claim GST back on?

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- 2)** Find out approximate prices for these items and calculate the GST that they can claim.

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TAX Facts



Watch the **Inland Revenue video** on GST and learn about your responsibilities if you are a business owner.

If you are eligible to register for GST then you can decide on how often you will pay your GST. This can be every month, every two months or every six months.

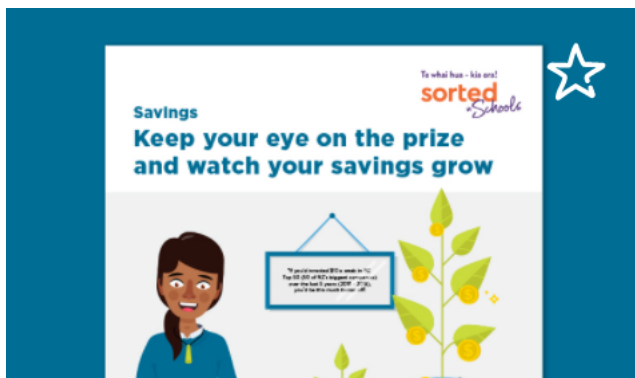
It is important to keep accurate records to track your income and expenses.

There are different formulas that you can apply to your business and you can choose which one to apply to your business.

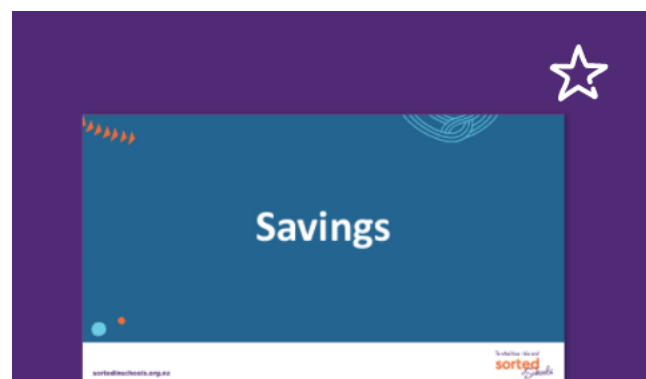
Inland Revenue has many ways to remind you when to pay your GST; for example, electronic reminders can be sent to you.

A business should put the GST that will be paid to the Inland Revenue aside in a separate savings account so that they are not tempted to use it. This is known as a protective factor for you and your business.

Explore these **resources** to find out more about savings.



Saving Infographic



Saving Powerpoint



Saving Booklet



Saving Booklet (Te Reo Māori)



TAX Checkpoint

Let's see what you have learned so far.

1) List five different ways you can pay for your goods and services.

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2) How much do businesses need to earn before they need to be GST registered?

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3) If you are a business owner how often do you have to pay GST?

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4) What are three key points you need to know as a business owner?

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Before moving on to your assessment, check that you understand:

- ☐ Explain the process of collecting and paying tax at each stage of the Grower to Consumer flow diagram.



TAX Assessment Task

This assessment provides an opportunity for you to demonstrate your understanding of how GST works in Aotearoa New Zealand.

Select a task that best shows that you can:

- Describe the difference between goods and services
- Explain about GST
- Explain ways the GST is paid and collected
- Describe the difference between the GST inclusive and exclusive prices of products and services in Aotearoa New Zealand.

Select one of the tasks :

	Statistical Inquiry Using an online survey tool or by interviews, canvas a range of people and show, by your questioning and your analysis, your understanding and new learning about GST.
	Youth TED Talk Use this format to inform and educate your peers. It can be used as a resource in your community. View this TED Talk by a New Zealand student: <u>Turangawaewae My place to Stand.</u>
	A digital visual resource that can be shared in your school and with your family members, whānau, aiga, or kāinga e.g. presentation, documentary, video.
	A written resource in a language other than English, that can be shared in your wider community.
	An infographic that can be used as a school resource to educate students.





TAX Smart: Assessment for learning

This self-assessment provides an opportunity for you to demonstrate your understanding of how GST works in Aotearoa New Zealand. This rubric is for you to identify where you are, what you are doing and what your next steps might be.

Complete this rubric by highlighting the outcomes you have achieved and either attach it to your task electronically or by downloading a copy. This evidence might come from some learning during the topic or a link to part of your assessment task.

Examples of evidence:



TAX chats - written outcomes based on the conversation starters and questions around how GST works in Aotearoa New Zealand



TAX tasks - Screenshot/photograph your outcomes/hyperlink. Examples might include the interpretation of a GST flow diagram.

Capability – Manage Money and Income

Outcome	Learning to be TAX Smart	TAX Smart Ready	TAX Smart Proficient	TAX Smart Expert
Explain the difference between goods and services	I can list goods or services.	I can describe what goods are. I can describe what services are.	I am TAX Smart Ready. + I can explain the difference between goods and services and give examples from the topic.	I am a TAX Smart Proficient. + I can justify the value of having more than one source of income for different stages through I am a Tax Smart Proficient. + I can share and reflect on examples from real-life situations from my own experience or that of my family, whānau, aiga or kāinga. hout your life.
Explain the goods and services tax	I can identify what GST means. I can state what the percentage of GST is.	I can describe GST.	I am TAX Smart Ready. + I can explain how GST works if you are the consumer. I can explain how GST works for a business and can explain aspects of this. I can explain what goods and services are exempt and explain why.	I am a TAX Smart Proficient. + Justify why I agree/disagree with GST being a fair tax for the people of Aotearoa New Zealand. I can summarise the key ideas for setting up a business and reflect on the GST aspects to advise others.
Explain how goods and services tax is paid and collected	I can describe how I pay for my GST on everyday purchases. I can list ways of how businesses can pay their GST.	I can describe how I pay for my GST on everyday purchases. I can list different 3 ways that businesses can pay their GST. + I can list what is exempt from GST and describe why. I can describe what zero-rated supplies are and can describe why.	I am TAX Ready. + I can explain the process of collecting and paying tax at each stage of the Grower to Consumer flow Diagram for the Kourawhero Nurseries to Tama the final consumer. I can respond to questions on this model. I can analyse parts of the process.	I am a TAX Smart Proficient + I can create and explain my own flow diagram Grower to Consumer and I can respond to questions. I can share my expertise with others to understand this flow diagram. (eg. peers, family, whānau, aiga or kāinga).
Understand the differences between inclusive and exclusive prices of products and services in Aotearoa New Zealand.	I can identify what INC and EXC means. I can describe what inclusive of GST means or I can describe what exclusive of GST means.	I can describe both inclusive and exclusive of GST. I can give examples of real-life situations of GST Inc and GST exc.	I am TAX Ready. + I can use a GST calculator to calculate both GST inclusive and GST exclusive prices.	I am a TAX Smart Proficient. + I can justify why the consumer is the person that pays the full GST component when purchasing goods. I can justify the benefits of GST inclusive and GST exclusive to a business owner.

Te whai hua - kia ora!



Notes:

For more information, please visit sortedinschools.org.nz