

Have you purchased secondhand goods for your business?

You may have purchased secondhand goods to use in your business but didn't pay GST on the purchase because the seller wasn't GST registered.



The good news is you can still claim GST as long as the goods were located in New Zealand at the time of purchase, and the details of your purchase are recorded.

This article gives you an idea of the GST amount you can claim.

You may consider buying secondhand items for your business to save money. Even if the seller isn't GST registered you can still make a claim for GST.

Regardless of which GST accounting basis you use (Invoice or payments), you must pay in full for the goods before you claim the GST for the purchase.

Example

Alice purchased a secondhand sewing machine for her dressmaking business. She bought the sewing machine for \$160 at a garage sale. To calculate the GST amount to claim she would use the following formula:

Purchase price x 3 ÷ 23 = GST amount that can be claimed

\$160 x 3 ÷ 23 = \$20.86

Alice can claim this amount on her GST return.

Secondhand goods are commonly defined as items previously used and paid for by someone else. In the context of GST, secondhand goods **don't** include:

- new goods
- primary produce - unless previously used
- goods supplied under a lease or rental agreement
- livestock
- goods consisting of any fine metal of any degree of purity.

Record keeping

When purchasing secondhand goods you may not always receive a tax invoice. In this case you must record the following:

- name and address of the supplier
- date of the purchase
- description of the goods
- quantity of goods
- price paid

For further information, please refer to the IRD website or click the link below:

<http://www.ird.govt.nz/aboutir/newsletters/business-tax-update/2013/btu-issue-043-13-07.html#02>