



NEW ZEALAND THOROUGHBRED RACING WINS GST COURT CASE

WHAT DOES IT MEAN FOR YOU?

Clubs can now claim GST on all stakes payments made to GST registered trainers and riders

In a recent judgment made in the High Court of NZ, it has been determined that **clubs are entitled to claim the GST input tax deductions for all stakes payments paid to GST registered trainers and riders for races conducted by that club.**

Previously the Inland Revenue had only allowed these GST input tax deductions to be claimed if the owner of the stakes was GST registered.

The decision has confirmed that trainers and riders provide services **to clubs on race days** in consideration for a percentage of the stakes payment. Therefore, clubs are now entitled to claim GST input deductions for all stake payments made to all GST registered trainers and riders, whereas non-GST registered owners were previously unable to claim GST input deductions. Returns to non-GST registered owners will increase accordingly.

Who benefits from this ruling?

As a consequence of this ruling, **the net stakes amount paid to non- GST registered owners has increased with effect from 1 November 2018.**

For example - the previous position for a non-GST registered owner and the payment of stakes of \$10,000.00 exclusive of GST was as follows:

- i. Stakes \$10,000.00 (excluding GST as the owner is not GST registered)
- ii. Owner treated as paying the trainer \$1,150.00 (10% plus GST)
- iii. Owner treated as paying the rider \$575.00 (5% plus GST)
- iv. **Owner receives the balance of \$8,275.00;** and
- v. Owner cannot claim back \$225.00 of GST paid to the trainer and the rider as the owner is not GST registered

The new position is as follows:

- i. Stakes \$10,000.00 (excluding GST as the owner is not GST registered)
- ii. Club pays trainer \$1,150.00 (10% plus GST of \$150)
- iii. Club pays rider \$575.00 (5% plus GST of \$75.00)
- iv. Club claims back GST of \$225.00 and
- v. **Club pays owner \$8,500.00 – an increase of \$225.00**

How does this change a club settlement statement?

There is very little change to a club settlement statement. NZTR will continue to pay trainers, owners and riders amounts entitled as per the Rules of Racing and stakes matrix, however these payments will now be made on behalf of the club instead of the owner. The club settlement statement will include a buyer created invoice showing the GST amount paid to GST registered owners, trainers and riders who have received stake payments allowing the club to recover the GST from Inland Revenue.

How does this change an owner's settlement statement?

The key change is that the stakes percentage paid to trainers and riders will no longer appear on the owner's settlement statement. Owners will only see the net stakes payable to owner(s) and any other fees applicable through the rules of racing, including riding fees.

What does this mean for a trainer and or rider?

There is no change to the stake payments made to trainers and riders.

When does this change occur?

For all race meetings conducted from 1 November 2018, settlements will reflect the High Court Judgement.

What about back payments?

NZTR will work with clubs and the Inland Revenue to resolve GST over payments by owners that have occurred since the relevant Rules of Racing were changed in 2013. It is expected that this process will take some time, but NZTR's expectation is that recovered GST over payments will be returned to non GST registered owners in due course. We will provide future updates when we are in a position to do so.



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