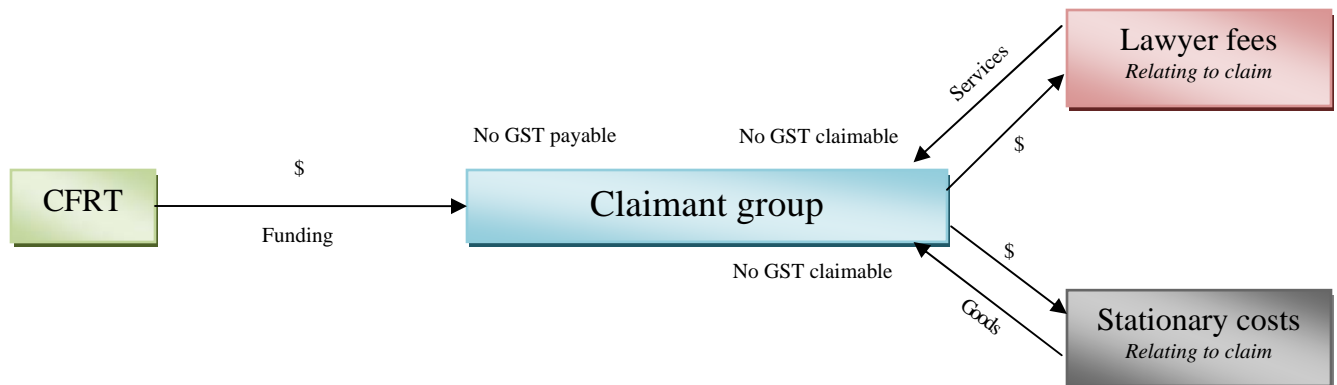


## GST TREATMENT OF CROWN FORESTRY RENTAL TRUST FUNDING

The Goods and Services Tax (“GST”) treatment of claimant funding is different to the GST treatment of routine business activities.

The claimant funding that you receive from the Crown Forestry Rental Trust (“CFRT”) is not subject to GST – in other words, you don’t have to pay any of it back to the IRD as GST. On the same basis, you cannot claim back from the IRD the GST content of the expenses that relate to your claim negotiations. However, because you are funded for costs including GST, the inability to claim back GST has no net cost for you.

Consequently, getting it right in your GST return will not result in less cash for negotiation of your settlement, but will remove the risk of getting your returns wrong and incurring IRD penalties.



### Technical analysis

#### GST on CFRT funding to claimant groups

No GST output tax (GST on income/GST-taxable amounts received) is payable on funding received by claimant groups from CFRT, as:

- There is no reciprocal benefit to CFRT as a result of the payment; and
- The payment is not deemed subject to GST as a Government grant<sup>1</sup>.

#### GST on expenditure incurred by claimant groups

Claimant groups can claim back GST paid (GST input tax) *if* the expenditure is incurred for the principle purpose of making taxable supplies.

Generally, GST input tax cannot be claimed on expenses incurred in negotiating treaty settlements, as the negotiating activity is not considered to be part of a claimant group’s taxable activity<sup>2</sup>.

<sup>1</sup>It is the IRD’s view that payments in relation to treaty claims are of compensatory nature for historical wrongdoings, and, accordingly, are outside the scope of a grant or donation.

<sup>2</sup>An exception is for non-profit bodies. Taxation advice should be sought to confirm a claimant group’s taxation status.