



CIRCULAR 2404

To: All Clubs & Kindred Bodies

Date: 7 March 2024

UPDATE ON HISTORIC GST INPUT CLAIMS

Summary

Following extensive discussions with Inland Revenue (“IR”), we are pleased to report that we have received a letter of confirmation that IR will accept current period GST input credit adjustments for Harness Racing clubs based on HRNZ calculations provided to a combined maximum of \$1.87 million. IR's acceptance of the adjustment is based on the principles of the 2018 Canterbury Jockey Club (“CJC”) High Court decision. While the CJC case was set up as an industry test case, there has been a significant amount of work done to get our claim accepted by IR. This is because HRNZ's rules of racing prior to 2018 had some differences from the NZTR rules in the period of the CJC case.

The GST input claims will be for stakes money paid to drivers and trainers for horses with non-registered owners between 1 June 2013 and 31 October 2018. HRNZ has calculated and agreed the GST input claim available for each club. The input claims are to be recovered from IR by the clubs in their next GST return periods and then passed on to HRNZ for distribution to the impacted non-registered owners. HRNZ expects to make contact to owners regarding the distributions by 31 May 2024 and make payments to owners by 31 August 2024.

Further detail

IR's acceptance of the adjustment is based on the principles of the 2018 Canterbury Jockey Club (“CJC”) High Court decision. The claim relates to GST paid on stakes paid to GST registered trainers and drivers, for horses with non-GST registered owners only.

While the CJC case was set up as an industry test case, there has been a significant amount of work done to get our claim accepted by the Inland Revenue. This is because HRNZ's rules of racing prior to 2018 had some differences from the NZTR rules in the period of the CJC case.

Following the CJC decision, HRNZ made changes to the centralised stakes payments system to incorporate the GST treatment on stakes paid to trainers' and drivers' percentages in November 2018 and all stakes since this date have been paid out under the new rules. This means that GST input tax has been available to be claimed since November 2018 and is the reason why the period of the GST input claims adjustment ends at the October 2018 period.

Process for making claim and distribution of refund amounts

To obtain the GST refunds, IR requires each club to make an input tax claim in their next GST return. This GST input claim has been calculated by HRNZ and agreed with IR.

1. HRNZ to confirm amount claimable and GST period to make the claim

We will contact each club separately to confirm your GST filing frequency and provide each club with the correct adjustment numbers to include in the next GST return.

- Clubs that were GST registered during the June 2013 - October 2018 period and still hold their GST registered status should make a claim for the amount agreed with IR that HRNZ will advise.
- Clubs that have subsequently de-registered or merged clubs have different considerations, we will contact you directly to work through your specific situation.

2. Club to file GST return, claim adjustment amount and attach relevant correspondence

We will provide assistance to clubs to prepare and file their GST returns. In addition, we will provide you with the relevant supporting documents to attach as correspondence to the returns and substantiate the adjustment. This correspondence will direct anyone processing the return to the relevant IR contacts should they have any queries.

3. Club to direct any Inland Revenue queries to HRNZ Finance Manager or Club Liaison

The claims may generate an automated letter (see Appendix 1 for an example of this). While the attached correspondence noted above will reduce the likelihood of this occurring, some letters may still be issued. Please contact us if you receive this letter or other contact from IR and we will provide assistance in relation to the response.

4. Club to provide refund amount to HRNZ, HRNZ to distribute to entitled owners

Once the relevant GST return has been processed by Inland Revenue, HRNZ will need to collect the amount of GST relating to the claim from each club to pay to the impacted non-registered owners through our centralised stakes system.

In some instances, the GST claim will create a GST refund for your club, but in other instances the claim will reduce the GST payable. The process in which we will collect the funds from you will be covered in more detail when our Finance Manager or Club Liaison contacts you.

The money from the input claims transferred to HRNZ from the clubs will be used to pay owners that were not GST registered in the period and missed out on the impact of GST input claim between 1 June 2013 and 31 October 2018. HRNZ expects to make contact to owners regarding the distributions by 31 May 2024 and make payments to owners by 31 August 2024.

We appreciate your co-operation with this, and if we are able to assist, please don't hesitate to contact our Finance Manager: Dawn Belcher, or Club Liaison: Melissa Knowles.

A handwritten signature in blue ink, appearing to read "Liz Bishop". The signature is fluid and cursive, with a small dot at the end.

Liz Bishop
GM Corporate Services