

Online marketplaces – income tax and GST

If you earn income through an online platform that puts together service providers with customers, you need to be aware of requirements for online marketplaces in New Zealand.

From 1 January 2024, New Zealand requires online marketplaces to conduct due diligence on all their sellers, and to collect and report information about sellers and transactions on their platforms. Income earned through online marketplaces and the activity of sellers registered on these digital platforms will be more transparent to Inland Revenue for tax collection purposes.

Does this affect me?

These changes are relevant to you if you provide services or assets through an online marketplace for a fee. In the online environment sometimes referred to as the sharing or gig economy, these activities typically include:

- providing short-stay accommodation, through platforms such as Airbnb
- providing ride-sharing services for a fare, through platforms such as Uber
- sharing assets such as cars, caravans/RVs, parking spaces, or storage space, through platforms such as Yourdrive, Mighway, Parkable, and Sharedspace
- providing personal services, such as graphic design, creating websites, or odd jobs like deliveries, pet sitting, furniture assembly or trades services, through platforms such as Pocket Jobs, Fiverr, Air Tasker, WeDo, and Delivereasy.

Other activities are not considered to be part of the sharing economy:

- online selling or classifieds, like Trademe, eBay or Carsales
- cryptocurrency exchanges
- peer-to-peer finance or crowdfunding

But for ALL these activities, if you earn income from them, consider how income tax, GST and other obligations apply to you.

If you're registered with and receive income from an online marketplace as a seller or provider of services, what you earn is taxable income and must be declared in your tax return. You may also have to account for goods and services tax (GST).

Online marketplaces and GST

If you earn more than \$60,000 in a year from all taxable activities, you must register for GST. If you're already GST-registered when you register with an online marketplace, use your existing GST registration for your activities on the digital platforms. If you're GST-registered, you can claim GST for expenses related to your business.

Be aware that from 1 April 2024 online marketplace operators who facilitate the sale of listed services, must collect and return GST when the service is performed, provided, or received in New Zealand. This applies whether the seller is GST-registered or not. The 'listed services' cover:

- short-stay and visitor accommodation
 - although accommodation used by the customer as their principal place of residence is exempt from tax
 - connected services facilitated through the marketplace operator, for example, cleaning fees charged on top of accommodation costs, will also be subject to GST.
- ride-sharing and ride-hailing
- food and beverage delivery

Are you GST-registered?

If you are GST-registered, you need to include supplies sold through an online marketplace as a zero-rated supply in your GST return. You will still be able to claim GST on the costs of making supplies.

Some GST-registered sellers may be able to opt out of the marketplace rules and carry on being responsible for their GST obligations, if they:

- make more than \$500,000 of supplies in a year
- provide accommodation and meet a 2,000-night threshold, based on the number of nights of accommodation listed through a single online marketplace.

They can notify their marketplace operator that they are opting out and enter into an agreement with the marketplace operator to opt out of the rules.

Different rules may apply where the marketplace operator is not treated as the supplier of listed services. In these situations, the provider of the services will be responsible for GST.

If you are NOT GST-registered, a new flat-rate credit scheme will apply. Marketplace operators will collect GST at the standard 15% rate on the services. They will then pass on 8.5% to you, recognising the GST on your costs supplying listed services. The remaining 6.5% is returned to Inland Revenue.

Information disclosures

Online marketplace operators must report annually for each year ending 31 December. They must report information about reportable sellers and themselves. They may contact you to collect this information. They must provide sellers with a copy of information reported about them by 7 February of the following year.

A 'reportable seller' is anyone registered on the platform to offer services. They do not have to be an 'active seller', someone who is providing services and earning income from the marketplace. Sellers may be individuals or organisations. Some large sellers are excluded from the reporting requirements. The [Inland Revenue site](#) sets out detail on the information marketplaces must disclose.

Marketplace operators must be able to identify sellers that are GST-registered from those who are not. As a seller, you must advise marketplace operators of your GST registration status including any changes to status.

Marketplace operators must inform sellers of the total flat-rate credit they've passed on to them, at least once a month.

Our recommendation

This is a rapidly changing sector and Inland Revenue has made it plain they intend to monitor it in the broader context of the tax base.

It is important you understand your income tax and GST obligations under the new rules.

Make sure you keep good records of your income earning activity and your expenses. Ask us for more information if your obligations as a taxpayer are not clear.