

## Historic GST input refunds to owners

We are pleased to announce that many owners who meet the criteria below, will receive an Input GST refund from HRNZ on 25 July 2024. The total amount of the refunds is \$1.86 million and involves 6,882 individual owners.

The refund relates to GST on stakes paid between 1 June 2013 to 31 October 2018 (Refund Period) to GST-registered trainers and drivers, where the owners were not registered for GST. For the refund to be recognised by the Inland Revenue Department (IRD) the club involved needs to be currently registered or to have merged with another club since the Refund Period.

The first round of payments will be made on Thursday, 25 July. We will send an email to affected owners outlining their individual refund amounts. The email and attachment will provide details of the race meeting(s), horse(s) involved and their share of the total GST refund (for shared ownerships and syndicates).

If you didn't receive a refund but believe that you should have, it may be because we don't have up-to-date bank account details for you. Please log in to your myHRNZ account to update your details or send your bank details to [accountsdept@hrnz.co.nz](mailto:accountsdept@hrnz.co.nz).

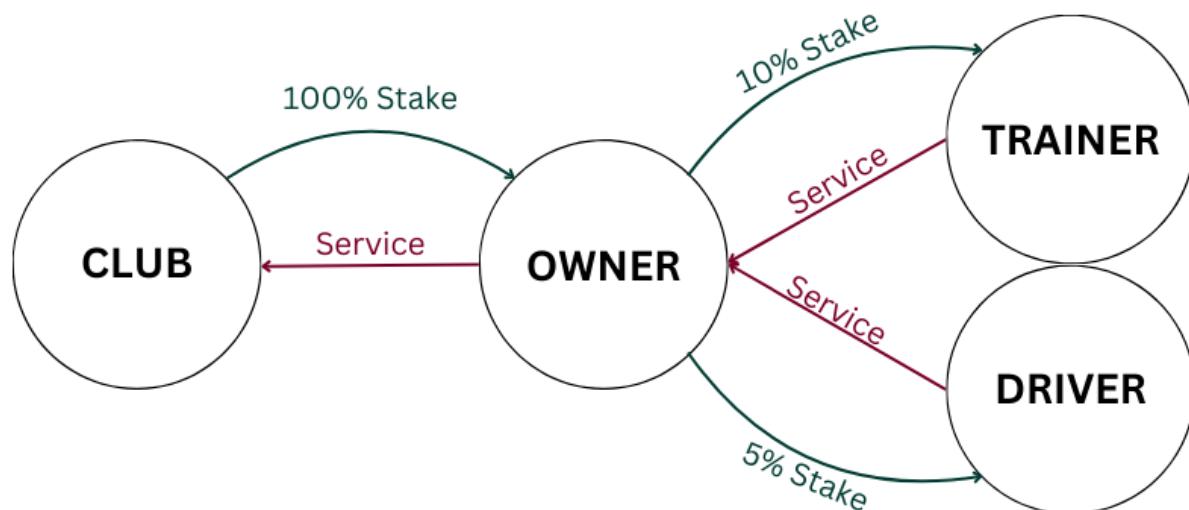
If you have any questions about how your refund was calculated, please contact our office.

### History

Prior to 2018, the IRD was of the opinion that trainers and drivers/riders provided a service to horse owners on race day. In 2018, the Canterbury Jockey Club (CJC), with the help of New Zealand Thoroughbred Racing (NZTR), went to the High Court of NZ to challenge this interpretation. The court ruled that trainers and drivers/riders provide services to clubs on race day, and that clubs are entitled to claim the GST input tax deductions for all stakes payments made.

#### Under the previous position:

Clubs would pay 100% of stakes to owners (through HRNZs centralised stake system), but deduct 10% for trainers, and 5% for drivers.



GST was added to stakes where applicable. This meant that if a driver and/or trainer was registered for GST, this was added to their % stake. If the owner was registered for GST, they could claim this back from IRD. However, if they were not registered for GST, they would not be able to claim that back.

Example:

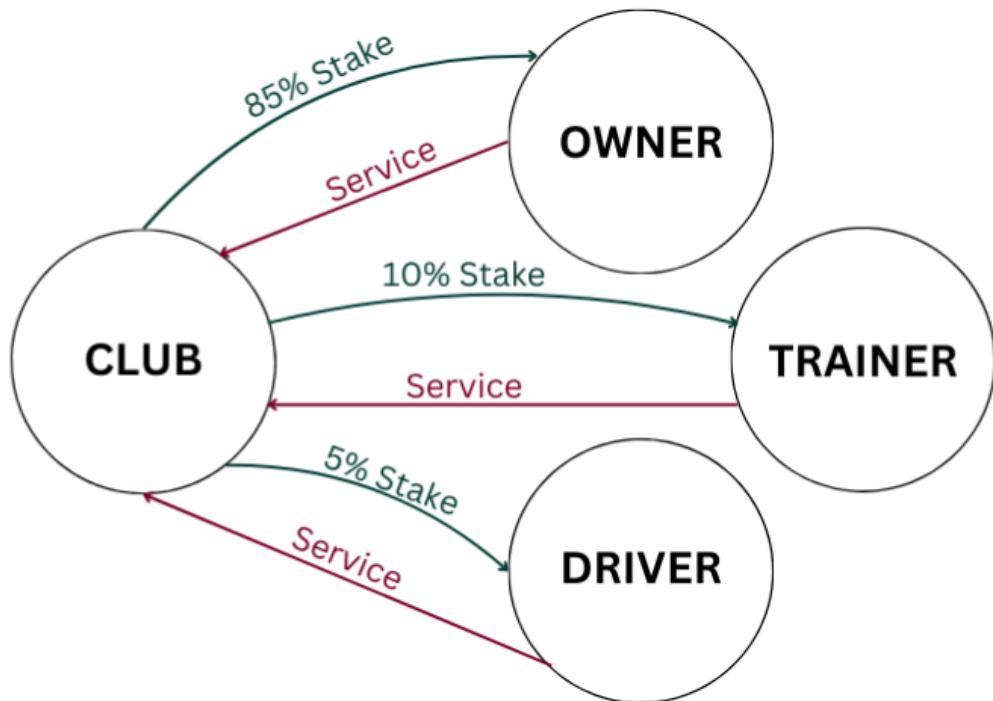
Assuming the winning stakes for a race were \$2,000 and 10% was paid to the trainers and 5% to the drivers, the following is the calculation of the stakes payment prior to 31 October 2018:

	<b>GST registered owner</b>	<b>Non-GST registered owner</b>
Stakes Paid (excl GST)	2,000	2,000
Less Trainers Portion - 10%	(200)	(200)
Less GST on Trainers Portion	(30)	(30)
Less Drivers Portion - 5%	(100)	(100)
Less GST on Drivers Portion	(15)	(15)
<b>Net stakes payment</b>	<b>1,655</b>	<b>1,655</b>
 <b>GST input claim from IRD</b>	 45	 nil
<b>Total Receipts (including GST refunds)</b>	<b>1,700</b>	<b>1,655</b>

From the above, you can see that the net stakes payment is the same irrespective of whether an owner is GST registered or not. However, the GST-registered owner was able to claim the \$45 input GST deduction from IRD in their next GST return. This means that the non-GST registered owner is disadvantaged and would have received less.

**Under the new position:**

Trainers, drivers, and owners all provide a service to the club. Clubs would pay 85% stakes to owners, 10% to trainers, and 5% to drivers.



GST is added to stakes where applicable. All clubs currently holding meetings are registered for GST, which means they can claim input GST back from IRD. Owners who are not registered for GST aren't affected, as they always receive their full 85%.

## How the court case affected HRNZ's participants

### Changes made to HRNZ's centralised stakes payment system

Following the CJC decision, HRNZ made changes to the centralised stakes payments system to reflect the new position. Since November 2018, all stakes have been paid out under the new rules.

### Historical claims

While the CJC case set an industry test case, there was significant work to be done to get our claim accepted, since HRNZ's rules of racing prior to 2018 had some differences from the NZTR rules during the period covered in the CJC case.

Once accepted by IRD, our clubs have included an adjustment to claim the historical amounts in their GST returns. Over the past few months, clubs have received these refunds from IRD and transferred the funds to HRNZ. At the same time, we have created a programme to enable us to distribute these refunds to affected owners.

## FAQ

### Who is affected?

Only owners who were NOT registered for GST during the period 1 June 2013 to 31 October 2018, but where the trainer and/or driver was registered for GST.

If you were registered for GST at the time, you were not affected by the previous treatment.

**Why do you need my bank details?**

All refunds are paid to individuals. Previously you may have been part of a group where payments were made to one person in the group who then passed the funds on to the rest. If that was the case, we may never have had your bank details on record.

Additionally, you may have switched banks since.

**Why are you asking if I want to donate my money?**

About 60% of the number of refunds are less than \$10. We appreciate that not all people would want to go through the trouble of updating their details for a one-off payment, therefore we wanted to offer the option to owners to donate their refund if they wish to do so.

We have chosen the New Zealand Horse Ambulance Trust as a recipient for the donations, as they are providing an invaluable service to our participants on race day. We appreciate the contribution from owners who take this option – this cumulatively will make a huge difference to the Trust.

**What about my refund for races run at Northland HRC and Taranaki TC during this time?**

Northland Harness Racing Club Inc and Taranaki Racing Inc/Taranaki Trotting Club Inc are no longer registered for GST and/or removed from the Incorporated Societies register. As a result, these clubs could not claim the GST from IRD to pass on to affected owners.