Book Sales Overseas

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TAX OBLIGATIONS

Introduction

This pamphlet is to introduce you to *some* tax implications for NZ residents making book sales overseas.

Income Tax

Income

All NZ residents should declare their worldwide income in their income tax returns even if they leave that income overseas, unless there is a clause in a double tax agreement which overrules that. Transitional residents (essentially recent immigrants who qualify) do not have to declare foreign income which is not from employment or supply of services for 4 years after becoming a NZ Tax resident. NZ Trusts with only foreign income, foreign settlors and foreign beneficiaries do not have to declare their income here.

Royalties and some other forms of income are often taxed at source, so when you receive that foreign income it will already have foreign tax taken out, and you will only receive the net amount. You can claim the foreign tax you have paid in your income tax return, but will get a credit only for the lesser of (a) the taxes paid in NZ or (b) the foreign taxes paid on that income in the same tax year.

Calculations of your foreign income:

1. It has to be converted to $NZ
2. If you create an invoice to generate the income use the invoice date to convert the currency and declare your income – an invoice dated 20 March 2011 with payment received in June 2011 must be included in your income tax return for the year ended 31 March 2011.
3. If you don't receive the same amount as invoiced due to currency fluctuations over time you need to keep a track and declare your currency gain or loss.

   If you receive income directly into your $NZ bank account from an overseas sale at the time of the sale, use the $NZ amount deposited to confirm the exchange rate but remember to calculate the foreign tax if any – your income to declare is the sum of the amount received plus the foreign tax – then claim the foreign tax as overseas taxes paid.
4. If you need to convert currency for calculation of your income you can use the Telegraphic Transfer (TT) buying rate for the day or the mid-month TT buying rate – there are many websites supplying TT rates and IRD has mid-month rates accessible through their website.

Expenses

You can claim expenses which are directly related to producing that income. Obvious ones are like printing costs, pens, computer expenses. Not so obvious ones are – need to research for a book set in India – travel costs to India are claimable as long as you generate income from that trip, they genuinely apply to that work and reflect the actual portion of the trip spent on research against days on private activities. It is advisable to check with the IRD or a qualified accountant prior to travelling. Overseas expenses have to be converted to $NZ in the same way as income.

GST

You have to register for GST if:

1. You have, or anticipate sales or income from business of $60,000 or over in a year and
2. You have a taxable activity (any activity supply or intending to supply goods or services to someone for money, compensation or reward)

GST on Sales overseas

If you make sales overseas, you do not have to charge GST unless you can with certainty expect that the results of your sales will be used in NZ – if you wrote an article for a magazine for an overseas publisher who was circulating that magazine only in NZ then you have to charge GST. If the magazine is circulated overseas only then you don't charge GST. Where you make sales overseas on which you don't charge GST these are called "zero rated" supplies.

In your GST return you have to declare all sales, including your overseas sales, but then you take off your zero rated sales so only pay GST on what you have charged with GST.

GST on Imports

Getting books printed overseas? NZ Customs may charge GST on books brought into the country even if they are free samples. If you are GST registered you can claim this GST back as an adjustment in your GST return.

Voluntary GST registration

It may be to your advantage to register for GST voluntarily even if you do not have income from business of $60,000 in a year – if you get overseas sales, you can still claim GST on your NZ expenses – in that case you should get GST refunds from your NZ expenses. Accepting your voluntary registration is at the discretion of the IRD.

Book Sales Overseas – What is Income?

For most NZ entities your balance date will be 31 March, so that means your taxable income year is from 1 April to 31 March.

Most often you will generate income from overseas because you have an overseas publisher who has sold your books on your behalf – in that situation you will get paid royalties – expect a percentage of about 7–10% based on the retail price of the book. If you get an advance on your royalties, it has to be treated as income when you receive it, because normally the advance is not refundable. Some authors manage to sell directly overseas via websites, contacts or book fairs.

You may also generate income from selling a copyright – as an author you have to include this as income.

For both royalties and copyright income, you can make application to the IRD to spread income for up to 2 years before the sale if you were working on the manuscript during those years. Keep evidence of someone – not family – who can verify the dates you were working on the manuscript.