

Guide to how a supplier charges Sales Tax on the sale or servicing of computers.

Introduction

This Guide explains how to apply Sales Tax to the sale of computers.

See PR 2024/9 previously *Addendum to Public Ruling Sales Tax PR ST 02/2016 – Chargeability of sales tax on the sale of computers*, available on the IRD website, for more details on this topic.

The Public Ruling Sales Tax PR ST 02/2016 advised that the sale of a computer is a “professional service” under the Sales tax law and so is liable to Sales Tax of 10% of the sale value of the computer.

The Addendum to the Public Ruling clarified that it is the services in respect of the sale of the computer that is liable to Sales Tax rather than the sale value of the computer. (The sale of the computer will usually have Goods Tax imposed on it.)

Professional services connected to the sale such as services in respect of package, manuals, maintenance and training are subject to sales tax.

Meaning of “Professional services”

“Professional services” relating to sale of computers would represent amounts charged for the time spent by a consultant, technician or an advisor for:

- giving advice to a customer in relation to what computers or packages would be appropriate for their organisation, for example, advice on system requirements or suggested ICT solutions for a particular business environment;
- preparation of a manual detailing how a computer system operates;

- the value of services to add commonly used office software such as word processing, spreadsheets, antivirus and games to the computer;
- time spent on maintaining the computer, for example by performing virus scans or cleaning up the directory for the customer;
- time spent providing training on how to use the computers; or
- repair of a computer or its parts.

Example

Solcomputer Ltd imports computers for sale at \$2,000 each, as well as computer games.

At its store it unpacks the computers and installs some software onto them. It then places the computer on display. Eric buys a computer from Solcomputer with the installed software for \$2,500 and requests that the company install some computer games which he had also purchased from them for \$500.

Solcomputer charge Eric Sales Tax on the value of the services for installing the software to the computer and installing the games. It is not required to charge Eric Sales Tax on the value of the computer nor the value of the software and computer games. For example, if it takes 1 hour to install the software and games and Solcomputer charges \$100 for this service, it should charge \$10 sales tax for the service.

Eric comes back to Solcomputer one week later and asks for one its staff to train him on how to use the computer. This takes two hours and Solcomputer charges Eric \$150 for the training. Solcomputer should charge \$15 Sales Tax for the service.