



GST on low-value imported goods

Snapshot

As expected, the Government has announced its intention to impose GST on low-value imported goods by implementing an Australian-style offshore supplier registration model. This is consistent with the GST regime that applies to offshore suppliers of services to New Zealand consumers.

From 1 October 2019, offshore suppliers selling goods with a total value of less than NZ\$400 to New Zealand consumers will have to charge and collect GST, if their total sales to New Zealand consumers exceeds NZ\$60,000 a year.

The good news? Tariffs and border charges will not apply to these goods. The existing border process to collect GST, tariffs and other charges on imports above NZ\$400 remains unchanged. Marketplaces and re-deliverers will also be expected to charge GST on goods supplied through them.

The [Government discussion document](#) confirms the decision to apply an offshore supplier registration model. It only asks for submissions on how the model should be applied. It appears unlikely that any effort to stop the rules proceeding at all, or in this form in the short term, will be successful.

Submissions are due **29 June 2018**.

The Ministerial statement stresses the uneven playing field faced by NZ retailers as a justification for change

The proposal was under consideration by the previous Government and appears to have been endorsed by the Tax Working Group

It therefore seems likely to proceed

Contact us

Peter Scott
Partner
T: +64 9 367 5852
E: pcscott@kpmg.co.nz

John Cantin
Partner
T: +64 4 816 4518
E: jfcantin@kpmg.co.nz

The proposal

The Government is proposing to require offshore suppliers to collect GST, when the offshore supplier sells goods to New Zealand consumers if:

- the value of the goods is NZ\$400 or less; and
- their total sales to New Zealand consumers exceed NZ\$60,000 per annum.

GST returns and payments will be on a quarterly basis as applies to offshore suppliers of services to New Zealand consumers.

Goods supplied to GST-registered businesses would be excluded but a business would have a “reverse charge” (i.e. would need to account for GST) on any imported goods that are used for non-taxable (e.g. private) purposes. The offshore supplier will be able to zero-rate goods sold to businesses to allow the recovery of any GST they might incur on expenses.

Offshore marketplaces and re-deliverers will be treated as suppliers and would have the same GST obligations as direct suppliers.

Tariffs and cost recovery charges would not be collected on goods with a value below NZ\$400.

Foreign tax authorities will be asked, where there is an “Assistance in Collection” provision in agreements with New Zealand, to use their enforcement powers to help collect the GST on New Zealand’s behalf. Most of New Zealand’s major trading partners are expected to be covered by such provisions.

The usual penalties and use-of-money interest rules would apply to offshore suppliers that do not comply. The existing penalties would also apply to consumers that falsely represent themselves as a business to avoid GST. The rules would allow Inland Revenue to require the consumer to pay the GST that should have been returned.

A joint registration system with other countries, such as Australia, or data matching between tax jurisdictions and Government agencies will be explored. This might include the sharing of information on GST registrations with Australia. Another possibility is the sharing of additional information with NZ Customs.

Importers would still be required to provide information to NZ Customs and the Ministry for Primary Industries to support effective risk and biosecurity assessment on low-value imported goods.

It is proposed the new rules will apply from 1 October 2019.

Who is impacted?

New Zealand consumers

New Zealand consumers are likely to see the price of low-value imported goods increase for the GST. However, this will not always be the case. The non-collection of tariffs and other import charges for goods less than NZ\$400 may reduce the overall cost to consumers (to the extent duties and import charges currently apply).

There will be complications if a consumer has purchased a number of low-value goods that are packaged together so their total value exceeds NZ\$400. Because the value of this consignment is above NZ\$400, the parcel would be processed at the border by NZ Customs. The consumer would need to provide NZ Customs with proof that GST was paid by the offshore supplier, so that GST is also not payable at the border (because the NZ\$400 threshold will be breached and the existing rules will apply to the package). This is a compliance complication that needs to be carefully considered.

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Peter Scott
Partner
T: +64 9 367 5852
E: pcscott@kpmg.co.nz

John Cantin
Partner
T: +64 4 816 4518
E: jfcantin@kpmg.co.nz

New Zealand retailers

New Zealand retailers (operating both “bricks and mortar” and online stores) have decried the uneven playing field. To the extent that GST on low-value imports have a positive impact on their sales, they will welcome the announcement.

Offshore suppliers, marketplaces and re-deliverers

Those selling or delivering low-value goods to New Zealand consumers will need to understand and apply the new rules.

Their systems will need to be able to identify New Zealand consumers – a New Zealand delivery address is the proposed test – and New Zealand businesses (a GST number or NZ National Business Number is required). Pricing decisions will also need to be made.

Our view

Given the Australian example and process, it is unsurprising that New Zealand has decided to implement an offshore supplier registration model too. An earlier version of the discussion document, released under the Official Information Act, considered other options. These have been superseded.

Since that draft, the Australian Productivity Commission has confirmed the offshore supplier registration model as the best available. That view has apparently been endorsed by the Tax Working Group’s recommendations to the Government on this issue.

With two existing models to follow, Australia’s GST on low-value goods and New Zealand’s GST on remote services rules, the expectation is that implementing the low-value goods proposal should be straight-forward.

However, our experience is that the GST on remote services rules were not without complications. The experience in Australia should also be used to ensure that the New Zealand proposal is workable.

For further information

Peter Scott

Partner, Tax
Auckland
Phone: +64 367 5852
Email: pcscott@kpmg.co.nz

John Cantin

Partner, Tax
Wellington
Phone: +64 4 816 4518
Email: jfcantin@kpmg.co.nz

kpmg.com/nz
twitter.com/KPMGNZ

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