



Australian GST changes will impact Kiwi businesses

Snapshot

Australia has introduced legislation to implement its version of the GST “remote services” rule. From 1 July 2017, sales of digital content and other services to Australian consumers by non-resident suppliers, including New Zealand businesses, will be subject to Australian GST.

This mirrors New Zealand’s rules, which will have effect from 1 October this year. Australia and New Zealand are not the first, nor the last. Countries including South Korea and Japan are proposing similar rules. The EU and South Africa already have such rules in place for digital services. GST on imported goods is also on the horizon.

Affected New Zealand businesses will need to have GST systems in place to comply with increasingly global requirements. It should not simply be assumed that NZ and foreign GST requirements will be aligned. There are important differences. Extending existing GST compliance processes may not be an easy solution.

KPMG Australia’s commentary is available [here](#). KPMG New Zealand’s commentary can be read [here](#).

Doing business with Australia? Australia, like NZ, is changing its rules to apply GST on remote services

It is important to remember that Australia’s GST is not the same as NZ’s (and vice versa)

Compliance with Australian and NZ GST will impact systems, processes, and the “customer experience”

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What's the proposed change?

Australian remote services rule

- From 1 July 2017, non-resident sellers will need to pay Australian GST on supplies of services, including "intangible" services, to Australian resident consumers. The threshold is A\$75,000 in a given year (the same as the threshold for Australian resident suppliers).
- Intangible services includes digital content, such as software (e.g. apps) and media (e.g. music and VOD streaming). Traditional services such as consulting, legal and gambling services will also be covered by this rule change.
- A foreign supplier will need to determine if a customer is an Australian tax resident and an Australian GST-registered business. There will be no GST payable if the supply is to a GST-registered business (unless the supply is not connected with the business).
- A simplified GST registration process is proposed for those required to register because of this rule.
- An electronic distribution platform (such as an Australian or offshore online marketplace) will need to register and deduct GST on sales instead of the actual supplier. This is unless the supplier and operator agree otherwise.

Why is this relevant for New Zealand businesses?

Australia is New Zealand's second largest trading partner. Many New Zealand firms already do business with Australia. When looking to expand overseas, the Australian market is often the logical first step. The Australian remote services GST rule could have a major impact, for New Zealand's budding digital businesses particularly.

The impact will be even wider if the Australia Government proceeds with a proposal to remove the A\$1,000 threshold for collecting GST on imported goods. The collection mechanism is likely to mirror that for services.

Businesses that are caught will need to implement appropriate GST compliance processes. These will need to comply with the Australian rules. Relying on New Zealand GST compliance systems may not produce the right answer for Australia (or other international markets with similar rules).

For instance, New Zealand does not require consumers and GST-registered businesses to be distinguished. The same GST result applies. Further, New Zealand and Australia's GST is not the same. Some supplies are taxable in Australia and not in New Zealand and vice versa. The same result should not be assumed for Australia, or any other country.

Businesses should also review their current contracts and standard terms and conditions to include foreign GST (or VAT) in pricing, if possible. If not, contracts will need to be renegotiated.

As it is not just Australia which is moving in this direction, it is an opportune time for a global GST health check of your business.

For further information

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