13 November 2018

Indirect Tax Alert

New Zealand raises GST threshold on import of Low Value Goods

NEW! EY Tax News Update: Global Edition

EY's new Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access more information about the tool and registration here.

Also available is our EY Global Tax Alert Library on ey.com.

The proposal of New Zealand's Inland Revenue Department (IRD) requiring off-shore suppliers of Low Value Goods (LVG) to levy Goods and Services Tax (GST) at 15% when sold to un-registered consumers in New Zealand has been an area of concern for end consumers. As per the Discussion Document released by the Government, an overseas supplier would be required to register and charge GST if, the total value of goods and services they supply to New Zealand consumers (i.e., delivery address is in New Zealand) is above the $60,000[1] registration threshold and the item supplied to the New Zealand consumer is valued at or below $400. The proposal is expected to be implemented with effect from 1 October 2019. The new rules are predominantly aimed at foreign on-line websites supplying goods to end consumers located in New Zealand so that the domestic suppliers get a level playing field.

Among others, one of the significant concerns received by the Government on the proposed rules is that the current threshold value of $400 appears to be low and would lead to compliance challenges for the off-shore suppliers and may also lead to double taxation (where adequate checks and balances are not installed), resulting in a significant increase in the cost of goods for the end customers. To address the issue, New Zealand's Minister for Revenue, Stuart Nash has announced that the current threshold of $400 would be increased to $1,000 and no customs duty and cost recovery charges would be collected from consumers in respect of goods valued at or below $1,000. In effect, only GST at 15% would be applicable on goods valued at or below $1,000.

Building a better working world

The above proposal is likely to be well-received and re-store confidence of both suppliers of off-shore goods and end consumers in New Zealand. It would now be important to review the draft legislation to see how the Government addresses other concerns (e.g., definition of electronic market place, treatment of returns, discounts, vouchers, combined consignments etc.) to see the real impact of the proposed changes on the various stakeholders.

Endnote

1. Currency references in this Alert are to NZ$.

For additional information with respect to this Alert, please contact the following:

Ernst & Young New Zealand, Auckland

- Paul Smith, *Head of Indirect Tax* paul.smith@nz.ey.com
- Simon Dobson, *Indirect Tax* simon.dobson@nz.ey.com
- Saket Sharma, *Indirect Tax* saket.sharma@nz.ey.com
- Mark Cormack, *Customs* mark.cormack@nz.ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Indirect Tax

EYG no. 011799-18Gbl

1508-1600216 NY
ED None

ey.com