

New Zealand GST on low value imports to apply from 1 December 2019

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Executive summary

New Zealand has moved closer to imposing Goods and Services Tax (GST) on low-value imported goods. Parliament's Finance and Expenditure Select Committee completed its review of the [Taxation \(Annual Rates for 2019-20, GST Offshore Supplier Registration, and Remedial Matters\) Bill](#) (Bill) on 31 May 2019. The Committee recommends the Bill should be enacted with some amendments, notably delaying commencement of the imposition of GST on low-value imported goods from 1 October 2019 to 1 December 2019 to allow nonresident suppliers more time to prepare.

Detailed discussion

Scope of rules

The rules would apply to all goods (excluding alcoholic beverages and tobacco) valued up to NZD\$1,000 that are supplied from abroad by a nonresident and delivered to New Zealand (distantly supplied goods).

New Zealand Customs will no longer collect any duty (including import GST) on consignments valued at NZD\$1,000 or less, except for tobacco and alcohol.

Registration requirements for nonresident suppliers

Offshore suppliers, and some intermediaries, will be required to register and account for GST if their annual turnover of distantly supplied goods to non-GST registered New Zealand consumers exceeds NZD\$60,000. Supplies to GST-registered businesses would not be caught by the new rules. However, the Committee recommends amending the Bill to enable suppliers to choose to charge GST on low value supplies to GST registered customers where more than 50% of supplies to New Zealand customers are to non-registered customers. Under this proposed change, offshore suppliers would not need to distinguish between consumers or businesses for supplies valued at NZD\$1,000 or less.

The following intermediaries (whether residents or not) may be considered as deemed suppliers and may also be liable to register:

- ▶ Electronic market places (e.g., websites which connect offshore suppliers with New Zealand consumers)
- ▶ Approved market places (i.e., non-electronic market places)
- ▶ Re-deliverers (e.g., a person who arranges for delivery of goods to end consumers in New Zealand, including purchasing of goods as an agent for the recipient or arranging or assisting the purchase of the goods from outside New Zealand)

Inland Revenue to develop simplified compliance rules

Inland Revenue intends to develop a simplified online registration process for offshore suppliers. The development of a simplified "pay-only" GST return, with fewer fields to complete than standard GST returns, is also expected. Offshore suppliers claiming input tax deductions for GST costs will be required to use existing GST returns.

Nonresident suppliers of distantly taxable goods that become a registered person on 1 December 2019 will have a first taxable period from 1 December 2019 to 31 March 2020, followed by quarterly taxable periods.

Other features of the rules

Other features of the rules include:

- ▶ Suppliers may assume that New Zealand residents are not GST registered unless information supplied indicates otherwise (e.g., provision of a GST registration/New Zealand business number)
- ▶ GST registered businesses incorrectly charged GST will have to seek a refund from offshore suppliers (except where payment for supply is NZD\$1,000 or less, in which case the supplier may issue a tax invoice to allow the recipient to claim a deduction)
- ▶ The ability for offshore suppliers to elect to collect GST on goods valued above NZD\$1,000, provided that 75% of the total value of their sales to New Zealand are items valued at less than NZD\$1,000
- ▶ An extension to the existing reverse charge rule to distantly taxable goods that are treated as not being supplied in New Zealand (business-to-business supplies)
- ▶ Charges for delivery, insurance and gift wrapping will also be subject to GST
- ▶ Where GST has been imposed twice (i.e., charged by the supplier and collected by New Zealand Customs), customers will be entitled to seek refunds from the suppliers. Further, a deduction will be available in respect of GST charged to the extent the supply is subject to GST/VAT in another jurisdiction
- ▶ Ability to split a single consignment into two - one consisting of goods each with a value of NZD\$1,000 or below and the other consisting of goods each with value above NZD\$1,000 to ensure that no GST is charged on high value goods (i.e., goods with value above NZD\$1,000)
- ▶ Suppliers will be required to issue a receipt (and not tax invoice) to customers where GST is charged at 15% to ensure New Zealand Customs is notified that GST has been charged
- ▶ Special treatment for vouchers
- ▶ Transitional provisions for certain contracts which have been executed before 1 December 2019 but cover supplies on or after 1 December 2019

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