GST TO APPLY ON LOW-VALUE IMPORTED GOODS

Online shoppers may want to get their 2019 Christmas shopping done early as the Government has signalled its intention to collect GST on low-value imported goods from 1 October 2019 in a **discussion document** that was released earlier this month.

From that date, offshore suppliers selling goods with a total value of less than NZ$400 to New Zealand consumers will have to register and collect GST, if their total sales to New Zealand consumers exceeds NZ$60,000 a year. Offshore and NZ marketplaces (such as Amazon, ebay, Alibaba and TradeMe) and re-deliverers of goods (i.e. those businesses that re-package and redirect goods to NZ which are not able to be shipped directly) will be treated as suppliers and would have the same GST obligations as direct offshore sellers.

The proposal is consistent with the GST regime that currently applies to offshore suppliers of services to New Zealand consumers, like digital music and video streaming services ("remote services"). It is also consistent with the GST approach the Australians are adopting for their low-value goods imports (albeit their threshold is A$1,000).

The silver lining? Tariffs and border charges will not apply to these goods.

This article looks at the proposal in more detail. As a general observation, it is worth noting that the Government's decision to collect GST on low-value imported goods appears to have now been made. (It appears to have received a "tick" from the Tax Working Group and has also received qualified support from the Opposition.) Feedback is only being sought on the model that should apply to collect it. Any effort to stop these rules proceeding at all, or in this form in the short term, is unlikely to be successful.

The detail

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 (including freight and customs duties, if any) is NZ$400 or less; and
- their total sales to New Zealand consumers exceed NZ$60,000 per annum.

Where an offshore supplier also sells goods with a total value of more than NZ$400, the collection of GST at the border by NZ Customs (along with other import charges) will continue.

Under the proposed collection model:

- GST returns and payments will need to be on a quarterly basis (as applies to offshore suppliers of remote services to New Zealand consumers).
- Goods supplied to GST-registered businesses would be excluded (again, similar to the remote services GST rule). These supplies will be "zero-rated" to allow the recovery of any GST NZ businesses might incur on their expenses. A NZ business would have a "reverse charge" (i.e. would need to account for GST), however, on any imported low-value goods that are used for non-taxable (e.g. private) purposes.

— Penalties will apply to those who misrepresent their status (e.g. claim they are a NZ business) to avoid GST, as well as the need to pay the GST. The Government is proposing to use existing exchange of information and tax assistance facilitation mechanisms, with other countries, to help enforce the new rules.

Some practical considerations

NZ consumers are generally likely to see the price of low-value imported goods increase for the GST. However, this may not be the case across the board. A potential silver lining is that tariffs and cost recovery charges would not be collected on goods with a value below NZ$400. Duties and import charges can apply at present for certain goods, even if below the threshold value. Therefore, if tariffs and other import charges are a material component, the overall cost may fall.

There may be complications if a New Zealand consumer has purchased a number of low-value goods that are packaged together so their total value exceeds NZ$400. Because the value of the shipment is above NZ$400, the parcel would be processed at the border by NZ Customs. They 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.

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

— A potential dual regime applying, depending on the value of a particular sale to a NZ consumer (i.e. whether under or over NZ$400).

— Their systems being able to correctly identify New Zealand consumers – a New Zealand delivery address is the proposed test – and distinguish New Zealand businesses (a GST number or NZ National Business Number is required).

— Pricing decisions. For example, offshore sellers that sell to NZ customers through a marketplace will potentially have those sales subject to GST, whereas their direct sales may fall below the registration threshold.

Some thoughts on implementation

With two models to follow, Australia's proposed GST on their low-value imports from 1 July 2018 and New Zealand's GST on remote services rules (which applied from 1 October last year), the expectation is that implementing the low-value goods proposal here should be straight-forward.

However, our experience with the GST on remote services rules was not without complications. That experience (and Australia's impending GST collection on low-value goods) should be used to ensure that the New Zealand proposal is workable.

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