TaxMail

1 March 2017

Regular commentary from our experts on topical tax issues

Issue 1

Australia to charge GST on low value imported goods

Australia has signalled the end of its GST "exemption" for low value imported goods

The change, from 1 July 2017, will have implications for NZ businesses selling across the Tasman

Business needs to understand the impact on pricing (is your current pricing GST inclusive or exclusive?) and systems (can your system charge Australian GST?)

Snapshot

On 16 February, the Australian Government introduced draft legislation to impose GST on low value goods imported by Australian consumers. Currently, imported goods with a customs value of A$1,000 or less ("low value imported goods") are not subject to collection of Australian GST.

What's changing?

From 1 July 2017, non-resident sellers of low value imported goods will have to register and charge GST to non-GST registered Australian customers, if their total Australian sales are A$75,000 or more annually.

The current GST collection mechanism at the border will continue to apply to imported goods with a value of more than A$1,000. (Note: if the addition of GST takes the value of goods over this limit, the new rules for low value imported goods will apply. In other words, the A$1,000 threshold is calculated on a GST-exclusive basis.)

In some situations, operators of electronic marketplaces and entities that assist Australian consumers to acquire goods from overseas (so-called "re-deliverers") will be deemed to make the supply and will thus become liable to account for the GST.

Contact us

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

Simon Taylor
Director
T: +64 9 367 5809
E: **simontaylor@kpmg.co.nz**

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

What is driving the change?

The Australian Government views the change as a tax base protection measure, given the growth of online purchases. It is also a response to lobbying by Australian retailers for a level playing field.

However, overseas businesses who sell to Australian customers through a marketplace (and who would not otherwise have to charge GST because they have less than A$75,000 of Australian sales) will have a new bias.

Implications for NZ businesses exporting goods to Australia

There is little time for NZ businesses to digest the implications of the new rules, consider the implications for their pricing and marketing, establish processes to determine the status of their Australian customers, and ensure Australian GST is correctly accounted for.

Do you need to register?

The first question should be whether the new rules require Australian registration, because A$75,000 or more of direct sales are made annually. (Any marketplace sales are not counted, because they are part of the operator's turnover.)

Pricing and systems impacts

Consideration will also need to be given to the impact on pricing and communication of this to Australian customers. In particular:

- Is your price to Australian consumers GST inclusive? If so, what will that do to your margins? (You will lose 1/11th, if pricing is GST inclusive.)
- Can you readily move your quotes/prices to take into account the 1 July 2017 change?
- Is it worth having an Australian sales promotion in the lead up to 1 July 2017?
- Can your systems cope with identifying and charging/collecting/reporting Australian GST by 1 July 2017?

Australian guidance

KPMG in Australia has prepared a **brief** on the changes. The Australian Taxation Office has released guidance documents, which are available **here**. These should be considered in assessing the impact of the new legislation.

New Zealand's low value imported goods threshold

The New Zealand threshold for low value imported goods is NZ$400, if customs duty does not apply. (A lower threshold applies for dutiable goods.) This exemption has been under review for some time by Inland Revenue and NZ Customs. Officials are expected to release their findings during the first half of 2017. That review will no doubt consider the Australian proposal.

For further information

Peter Scott
Partner, GST
Auckland
Phone: +64 9 367 5852
Email: **pcscott@kpmg.co.nz**

Simon Taylor
Director, GST
Auckland
Phone: +64 9 367 5809
Email: **simontaylor@kpmg.co.nz**

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