

Fact sheet: GST on low-value imported goods – an offshore supplier registration system

Summary of the proposals

From 1 October 2019:

- Offshore suppliers would be required to register, collect, and return New Zealand GST on goods valued at or below \$1,000 supplied to consumers in New Zealand.
- The rules would apply when the good is outside New Zealand at the time of supply and is delivered to a New Zealand address.
- Offshore suppliers would be required to register when their total taxable supplies of goods and services to New Zealand exceed \$60,000 in a 12-month period. In certain circumstances, marketplaces and re-deliverers may also be required to register.
- Tariffs and border cost recovery charges would be removed from imported consignments valued at or below \$1,000.
- The current processes for collecting GST and other duty at the border by Customs would continue to apply for consignments valued over \$1,000. However, there will be processes put in place so Customs does not collect GST on goods in a consignment over \$1,000 if GST was already collected by the supplier.
- The current border processes for managing risks in relation to imported goods, including biosecurity assessment, will remain in place.

What the changes would generally mean for different parties

| | Imported goods valued at or below \$1,000 | Imported consignments valued above \$1,000 |
|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| New Zealand consumer | GST charged on your purchase at the point of sale. | GST collected on your purchase at the border by Customs (unless GST was charged at the point of sale). |
| New Zealand GST-registered business | No GST charged on your purchase. | GST collected on your purchase at the border by Customs. Any GST incurred can be claimed back. |
| Offshore suppliers, online marketplaces and re-deliverers that reach the registration threshold | GST should be charged, collected and remitted to Inland Revenue on supplies made to New Zealand consumers. GST should not be charged on supplies made to GST-registered businesses. | Customs would collect GST as the goods cross the border (unless GST was charged at the point of sale). |

Note that the table only reflects how the proposed rules would work in the majority of cases and actual results may differ in some instances.

Impact on consumers

The proposed changes would not necessarily mean that all online purchases of goods by consumers will become more expensive.

Under the proposals, if a consumer imports goods valued at or below \$1,000 the offshore supplier would add GST to price of the online purchase. Goods valued below \$400 which do not currently have GST, duties and cost recovery charges collected at the border would be more expensive under the proposal.

However, goods valued below \$400 but above the current *de minimis* of \$60 of duty owing and all goods valued between \$400 and \$1,000 would be cheaper under the proposal.¹ This is because consumers would no longer pay tariff duty and cost recovery charges on these goods.

Example

| Purchase | Current treatment | Proposed treatment |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| \$50 t-shirt | <i>Total cost of consignment: \$50</i> No current charges at the border. | <i>Total cost of consignment: \$57.50</i> \$50 t-shirt + \$7.50 GST collected by the offshore supplier. |
| \$300 jacket | <i>Total cost of consignment: \$432.17</i> \$300 jacket + \$30 tariff (10% × \$300) + \$49.50 GST (15% × \$330) + \$52.67 border processing fee. | <i>Total cost of consignment: \$345</i> \$300 jacket + \$45 GST collected by the offshore supplier. |
| \$600 phone | <i>Total cost of consignment: \$742.67</i> \$600 phone + \$90 GST (15% × \$600) + \$52.67 border processing fee. | <i>Total cost of consignment: \$690</i> \$600 phone + \$90 GST collected by the offshore supplier. |

Registration requirements for offshore suppliers

Offshore suppliers would be required to register and return GST if their total taxable supplies in a 12-month period to consumers in New Zealand exceed \$60,000. This is the same threshold that applies to domestic businesses and to offshore suppliers of cross-border services. Offshore suppliers would not be required to collect GST on goods supplied to GST-registered businesses.

Rules for electronic marketplaces

The offshore supplier registration system will include special rules for electronic marketplaces. These rules would apply in situations where an offshore supplier sells their goods through a marketplace. Marketplaces would be required to collect and return the GST on the supplies of low-value goods made to New Zealand consumers by non-resident suppliers on the marketplaces' platforms.

¹ The exceptions to this are alcohol and tobacco products. Excise taxes, GST and other charges would continue to be collected on these goods at the border by Customs, regardless of their value.

The rules for electronic marketplaces apply broadly to both resident and non-resident marketplace operators. A marketplace would only not be liable for collecting GST on the sales made on their platform if they do not authorise the payment, authorise the delivery or directly or indirectly set any of the terms or conditions of the supply. These rules are consistent with Australia's equivalent rules for electronic distribution platforms.

The \$60,000 registration threshold would also apply to marketplaces.

Rules for re-deliverers

The offshore supplier registration system will also include special rules for re-deliverers. Re-deliverers are used by consumers when the supplier or marketplace does not offer shipping to New Zealand. The good is instead shipped to an overseas "hub" or mailbox, which then ships the good to New Zealand. Under the rules, re-deliverers would be required to register and return GST in respect of goods that they "re-deliver" to a New Zealand address. These rules would apply equally to both resident and non-resident re-deliverers.

The \$60,000 GST registration threshold would also apply to re-deliverers.

Next steps

The proposed rules will be included in a bill currently scheduled for introduction in November 2018.