
From: s9(2)(a) s9(2)(a)
Sent: Monday, 18 June 2018 20:03
To: Policy Webmaster
Subject: GST on low-value imported goods

Good evening

We would like to make a submission I regards to the proposed GST on low value imported goods legislation. This is further to the meeting I was part of on Friday 15th June 2018 between Customs NZ, IRD and CBAFF.

Overall, FGL is not opposed to the suggested legislation changes to collecting GST or to the changes in De Minimis and we feel this is a good idea. As ecommerce continues to increase we recognise it is important to ensure GST is being collected to pay for vital Public services. Having a change in De Minimis to a specific value is a move in the right direction and it will make explaining the de Minimis to consumers much easier than our current arrangement. We get a lot of upset consumers who are not expecting to have to pay for any Customs clearance charges or duties on arrival so anything that can help avoid this for them or simply make it easier for them to take this into consideration prior to them making a decision to purchase on line is important.

We would however recommend having a higher De Minimis such as NZD1000. This would keep it in line with AU and is a level more and more consumers think we are at now. It would also reduce the number of consumers having their parcels stopped on arrival as they have purchased a number of times over several days / weeks from a shipper and they have had their purchases all end up on the same flight so combined they are over NZD400. IRD still collects ST an Duty is minimal or not applicable due our various free trade agreements.

In terms of the value to determine whether a good is a low value good or not we believe your only option should be the Customs value and not the Total amount paid by consumer less GST (amount of the goods plus FRT and Insurance).

- This keeps it in line with the value for exports to determine low or high value.
- This keeps it in line with AU regulations
- Including the freight and insurance paid would add another level of complexity for us on arrival and would be extremely difficult to ascertain on a consignment by consignment basis.
- It would also provide a greater incentive for the declared freight values to be different to what has been paid in order to keep the combined value less than \$400
- From an ecommerce perspective the freight amount paid changes between platforms, can be free during a sale and one platform can have several different freight prices depending on the service selected which adds another complexity in determining what the freight amount paid would be.

It terms of the GST registration process we have some points we feel should be considered.

- To only collect GST on goods \$400 or less from consumers and not on the goods more than \$400 would be far too complex and is adding an unnecessary level of complexity to this system. We believe you should adopt a system where overseas Companies who are GST registered can collect GST on all sales to Consumers regardless of the value of the goods. On arrival consignments that are more than \$400 in value will be stopped at the border for a high value entry. Provided the customer can use the commercial invoice as proof that they have already paid GST to the shipper they will avoid double taxation on GST and simply pay the Customs import charges and any applicable duty. They would be paying these regardless.
- Most large ecommerce companies and certainly all of ours would not have accounting and dispatching systems in place to determine whether goods would be sent together or on the same incoming flight to work out if they should charge GST at the point of sale or not. Having one order in which some items had GST collected and some did not would be far too complex for most accounting software.
- We strongly suggested that it would be medium to high possibility of some businesses fracturing their business to avoid having to collect GST by keeping their total Business to Consumer Sales below \$75000. IRD and Customs would need to work closely together on this to ensure companies that were doing this were caught.

- We feel that it is excellent that IRD and Customs have advised that they are working on joint scheme to monitor businesses import values to check if those bringing in over \$60k were registered. However this monitoring work would rely heavily on the values and information we and other CBAFF members supplied in their low and high value entries. The issue with this is that while other integrated Courier Companies supply this information electronically it is currently not supplied by goods coming in via Post. This would give shippers more incentive to use this import method. Particularly from some countries into NZ.

We note that IRD have raised a concern on consumers being taxed twice. Once at the border and once at the point of sale. We feel this was a moot point as on arrival the customs broker would be checking if GST had already been collected or not by looking at the commercial invoice. They always require a copy of the commercial invoice in order to complete a customs entry so this would already need to be requested.

If GST was collected twice by mistake then this should be refunded by Customs and not the vendor. While large well known Vendors would look to do the right thing and refund their customers not all vendors would and it would not be fair to put the NZ customer at a disadvantage when it is the NZ public this initiative is designed to benefit.

The ATO come to NZ and held several presentations this year to NZ eCommerce Exporters on the upcoming changes 1st July 2017. This was extremely valuable for our customers and it would be highly recommended that IRD did the same in AU and other countries.

We also feel that the data matching across NZ and AU mentioned is a great idea. Being able to register in AU or NZ and have the same codes work in both countries would be ideal as a lot of our shippers send to both AU and NZ already. It would also make it easier for those only sending to AU now also want to look at NZ.

We are more than happy to discuss any of the above submission with either IRD or Customs further if required.

Thanks and regards

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