



Submission on

“GST on low-value imported goods: An offshore supplier registration system”

A government discussion document – published May 2018

Introduction

The Customs Brokers and Freight Forwarders Federation of New Zealand Incorporated (CBAFF) wishes to make a submission the discussion document published in May 2018 in respect to GST on low value imported goods.

CBAFF

CBAFF is the leading industry association representing customs brokers, freight forwarders and related service providers in New Zealand’s part of the international supply chain. The representation for such service providers also extends to their clients being importers and exporters. Those service providers and their clients are the parties subject to control of the New Zealand Customs Service, the Ministry for Primary Industries and Inland Revenue Department, together with other agencies such as the Ministry of Transport, Maritime New Zealand, Civil Aviation Authority, Environmental Protection Authority and the Ministry of Foreign Affairs and Trade. CBAFF has a long history of engaging with the NZ border agencies on matters relating to the regulation of the passage of goods in and out of New Zealand and relating to wider trade policy issues such as the development and implementation of Free Trade Agreements and the development of cargo security initiatives.

CBAFF is a member of FIATA – the International Federation of Freight Forwarders Associations and the Federation of Asia Pacific Air cargo Associations and works closely with other associations representing similar groups to those CBAFF represents. This includes Australian Federation of International Forwarders and Customs Brokers and Forwarders Council of Australia with whom CBAFF has worked collaboratively.

In undertaking these roles, CBAFF draws upon the expertise of its members and their long history of representing service providers in the supply chain and those importers and exporters in the supply chain.

The membership of CBAFF comprises some 110 companies delivering supply chain services for international trade to New Zealand and overseas companies. Supply chain services include:

- government agency compliance,
- arranging and/or providing transportation – international and domestic,
- warehousing / storage,

- repairs / maintenance,
- reverse logistics and
- order fulfilment.

Submission presented by

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June 2018

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SUBMISSION

In regards to the discussion document published May 2018 entitled “GST on low-value imported goods: An offshore supplier registration system”.

1. The proposal is certainly to be commended for creating “fairness” when viewed in relation to the New Zealand retail market.
2. The process for administering the scheme will be somewhat challenging for the Freight and Express industries and in this respect the proposal is short on specific operational detail. The proposal is specific in relation to registration.
3. Para 3.3. To differentiate at the point of sale between goods value at under or over NZ\$400 is adding an unnecessary level of complexity to this system. Based on the “broad based” GST system, Companies who are GST registered should collect GST on all sales regardless of the value of the goods. On arrival consignments over \$400 in value would be stopped at the Border for a high value entry clearance subject to any applicable duty, GST on CIF value and Transaction fees less GST paid at point of sale.
4. Para 3.6. We support the change of “de minimus” from \$60 duty value to goods value. Based on “goods value” will make it easier and simpler to explain than the present “de minimus” based on duty value. The level of “de minimus” on goods value should reflect that of our main trading partners. Our recommendation would be for a de minimus of NZ\$1000.
5. Para 3.8. We support the valuation being that of the value of the goods.
6. Para 3.10. We support the broad based GST system with few exceptions.
7. Para 3.12-3.15. The supply of multiple low value goods is likely to create some headaches and an unnecessary level of complexity. If Point 3 above is adopted then no further action required. If point 3 is not adopted then the differentiation in value between sales under or over NZ\$400 will create additional costs for overseas suppliers.
8. Para 3.17-3.19. Instances where multiple low value goods may have had GST applied at point of sale that should be subject to Border clearance should have provision at time of Border clearance for any point of sale GST to be offset against collection at the Border. This could be actioned by way of a credit claim in the Border clearance and supported by evidence of GST paid at point of sale.
9. Para 3.17. What appropriate evidence is likely to be acceptable? This potentially will bottleneck the flow of consignments through the Postal system and Express Couriers which would be counter-productive to the system designed to expedite the collection of GST.
10. Para 3.24. We question the rationale behind exempting supplies to GST registered business. Para 1.6 states that New Zealand’s GST system is a broad based consumption tax, based on the destination principle. This means that all goods and services should be subject to GST when they are consumed in New Zealand. Current trading within NZ business to business attracts GST with provision to claim inputs. For simplicity at the point of sale there should not be another layer of distinction relating to GST registered businesses.
11. If however there is to be a distinction between GST registered business’ then in relation to Para 3.24-3.25 concern is expressed around the business to business exclusion of GST based on the supply of a NZ business number. A NZ business number does not necessarily mean that the

business is registered for GST. We would suggest that supply of a GST registration number (para 3.25) is implicit upon the business as a declaration of their GST status.

12. Whilst creating “fairness” for the NZ retail market it implies “unfairness” in that it only applies to offshore suppliers who voluntarily choose to register. Suppliers who don’t register but supply items under the new de minimus of NZ\$400 will provide a benefit to consumers given the new “de minimus”
13. At the Border there will be difficulty in distinguishing between items/suppliers where GST has been applied, items/suppliers who are not registered and therefore no GST collected, supplies to GST registered entities where no GST need be applied and GST on multiple value consignments where GST has and has not been applied in relation to the value of the goods.
14. Concern is expressed that the proposal is around the collection of GST (revenue) on low value goods but of equal or greater importance is the recognised pathway for biosecurity risk.
15. Concern is expressed in respect to liabilities for the Brokers involved where both Administrative Penalties and Infringement Notices (as per the new Customs and Excise Act commencing October 2018).
16. Concern is expressed around the resources needed to administer the proposal. Already both Customs and MPI resources are stretched to deal with normal commercial importations without the added volumes of administering low value consignment. As an industry we would be gravely concerned if the costs involved were then reflected over imports with neither Customs nor MPI benefiting from the Import Transaction Fee and Biosecurity System Entry Levy.

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