PUB-042

NEW ZEALAND POST GROUP

New Zealand Post Group

Postal address
New Zealand Post Limited
Private Bag 39990
Wellington Mail Centre
Lower Hutt 5045
New Zealand

Physical address
New Zealand Post Limited
New Zealand Post House
7 Waterloo Quay
Wellington

29 June 2018

GST on Low-Value Imported Goods
C/- Deputy Commissioner Policy and Strategy
Inland Revenue Department
PO Box 2198
Wellington 6140

By Email: policy.webmaster@ird.govt.nz

GST ON LOW-VALUE IMPORTED GOODS: AN OFFSHORE SUPPLIER REGISTRATION SYSTEM

Introduction

New Zealand Post ("NZ Post") welcomes the opportunity to provide its feedback to the government's consultation on the design of a system that would require registered offshore suppliers to collect Goods and Services Tax (GST) on low-value imported goods supplied to New Zealand residents.

NZ Post consists of a range of businesses providing communication and business solutions from the mail and courier business through to digital solutions, warehousing and supply chain logistics.[1]

Proposed Offshore Supplier Registration System

NZ Post supports the government's proposal to implement an "offshore supplier registration" system with effect from 1 October 2019 that would require registered non-resident businesses – i.e. merchants, electronic distribution platform operators or re-deliverers who sell physical goods – to collect GST at an offshore point of sale (unless imported goods are GST-free or supplied to New Zealand GST-registered businesses).

Collecting GST at an offshore point in the international supply chain for imported goods provides the government and stakeholders with the most cost effective and practical GST collection mechanism compared to other models. It will further simplify the process of buying overseas goods online and make it closer to the experience of domestic purchasing (i.e. border delays and associated clearance costs are removed for low-value goods) and make it easier for consumers to determine the real price of goods bought online from abroad.

We also welcome the increasingly even-handed approach to GST taxation being taken by the government with offshore (online) and domestic retailers, and the increased simplicity that offshore GST collection can bring to consumers and suppliers, as successfully demonstrated with the offshore model for remote cross-border digital services and intangibles implemented in 2016.

[1] See here for further information https://www.nzpost.co.nz/about-us/who-we-are

However, NZ Post does not support the proposed threshold level of $400 or that GST is only collected offshore when an individual good is valued at or below $400 regardless of the total value of the consignment. We strongly urge the government to consider adopting a higher Customs *de minimis* that is more broadly in line with Australia, to have a $1,000 fixed threshold based on the total value of the goods imported. The proposed offshore GST collection system would therefore be extended to apply to individual goods valued at or below $1,000.

This would mean that tariff duty and cost recovery charges would not be collected on imported goods valued at or below $1,000, but so long as the total value of the consignment is at or below $1,000. For any consignment with a total value above $1,000, existing border processes to collect GST (along with tariff duty and recovery charges) would be applied to all the goods contained in a single consignment.

Our preferred approach that contemplates offshore GST collection with a higher *de minimis* would be more efficient, less complex and less goods would need to be stopped and held at the border.

Manual processes at the border associated with revenue collection for goods valued under $1,000 would be significantly removed. This would reduce NZ Post's compliance cost burden at the border where we are facilitating the collection of GST (and other charges) and holding goods in storage on behalf of NZ Customs. A higher threshold would also simplify the proposed design of an offshore GST collection system and avoid the need to potentially introduce new border requirements that, in our opinion, would be unfeasible to implement in practice.

In our view, the offshore collection system should be designed to be as simple and user friendly as possible. We propose that the government considers implementing a straight forward $1,000 threshold based only on consignment value rather than on the value of individual goods. This would mean that registered suppliers would only collect GST on goods that are imported in a single consignment valued up to $1,000. Therefore, any single consignment containing imported goods with a combined consignment value exceeding $1,000 would be subject to the existing border process for a formal Import Entry.

We think that the proposed $400 threshold (and other aspects of the proposed rules e.g. the 'reasonable belief' exception) will add unnecessary layers of complexity to eCommerce trade, particularly when there are single consignments containing multiple low-value and high-value goods and/or when goods have been sent by unregistered suppliers.

There are also current limitations in the postal channel at the border, which are outside of NZ Post's control, that makes it impractical to verify any consignment's compliance with an offshore GST collection system, unless there is further manual intervention which would result in significant processing delays and costs at the border.

We note that the discussion document is very light on specific details of the proposed rules that would apply to the offshore supplier model. There is considerable reliance to potentially adopt the offshore registration rules implemented in Australia from 1 July 2018. However, it is not clear what aspects of the Australian model would be replicated and enacted in New Zealand. This has made it difficult for NZ Post to effectively critique the design of the proposed rules, quantify compliance costs or identify practical implementation concerns affecting NZ Post's existing border operations and import services in the postal and commercial channels. Our submission, at this stage, is therefore limited to a qualitative review of the proposed rules.

It is also unclear how the proposed offshore registration model would be enacted under legislation (we presume it would be under the Goods and Services Act) and the model's interaction with the Customs and Excise Act that governs revenue collection at the border for imported goods. For example, this is pertinent to single consignments that may contain low-value goods with GST collected offshore (or not) and high-value goods where GST would be subject to collection at the border. We think that the underlying legislative basis for the offshore collection model should be made as simple as possible to avoid confusing suppliers and consumers, and in a manner that enables efficient and effective eCommerce for overseas online businesses trading with New Zealand consumers.

We have not ascertained if there are any aspects of the proposed rules that would give rise to undue compliance costs. On initial assessment, we are unable to assess what the impact would be on NZ Post's operational costs at our international postal gateway, the International Mail Centre (IMC) in Auckland, as the discussion document has not specified any new process requirements at the border for postal product that we are aware of.

We expect that there will be additional compliance obligations and costs for NZ Post's YouShop platform that would meet the criteria for a re-deliverer under the proposed rules. We have not yet scoped any potential costs until the design of the rules that would apply to re-deliverers is more developed.

Other GST Collection Options

In our previous discussions with government, NZ Post has considered and assisted in developing a range of potential reform options for collecting GST on low-value imported goods. In our view, enabling a reduction in the *de minimis* requires finding an alternative method of collection that is more cost effective and streamlined than the current process of physical collection at the border.

The revenue opportunity to lower the *de minimis* for GST therefore hinges on efficient and effective implementation of the collection process while avoiding consequential delays at the border due to revenue risks.

Our concerns about the border processes are not hypothetical but rather a reflection of current circumstances. The surging growth in cross-border eCommerce is making the current manual fiscal and other risk assessment model difficult to effectively manage. For example, border agencies such as the Ministry of Primary Industries (MPI) now have to devote more resources to biosecurity risk assessment. Consequently, there are delays in processing postal product at the IMC. Not only does this create further problems for NZ Post, but it also creates problems for consumers waiting for imports to be delivered.

We consider that offshore supplier registration system is the most feasible and low-cost impact GST collection model for government to implement, providing the highest revenue opportunity with the lowest consumer impact.

We note that the discussion document refers to alternative options for GST collection that are considered unfeasible in the short-term. One option is GST collection at the border between the point of sale and delivery where NZ Post would physically collect GST, tariffs and cost recovery charges. For practical and high cost of compliance reasons, NZ Post would like to reiterate to officials and Ministers that we strongly oppose extending GST collection at the border to low-value goods where NZ Post would be responsible for revenue collection on international mail.

NZ Post would also object to any proposal that imported goods in a consignment valued at or below the proposed $400 de minimis sent by an unregistered supplier should be held at the border by NZ Post until the GST and duty is paid.

We have provided further feedback below on certain aspects of the proposed rules under an offshore supplier registration system.

General Feedback on Proposed Design of the Rules for Low-Value Imported Goods

Low-Value Goods sent by Registered Suppliers

NZ Post supports the proposal that tariff duties and government cost recovery charges will not be collected on imported low-value goods that are subject to GST treatment at point of sale under an offshore supplier registration model (i.e. where GST is collected offshore by a registered supplier).

To facilitate expedited clearance and flow of low-value goods across the border, it is also our understanding that NZ Customs intends to clear all consignments (valued below the *de minimis*) of imported goods entering New Zealand through the postal channel that would be subject to offshore GST collection (i.e. there will be no revenue assessment or enforcement at the border) and that goods will only have to be held for other risk or biosecurity concerns. However, in line with our preferred approach, there would need to be a blanket clearance for all consignments valued at or below $1,000.

As pointed out above, for international mail items NZ Post has limited ability at the border to help enforce and administer certain requirements of the proposed design with a $400 threshold. As is current practice, NZ Post could only continue to visually identify single consignments that contain an individual item with a declared value greater than $400 that would be handed over for GST and duty collection (i.e. as a private import declaration). We currently cannot verify for any consignment entering New Zealand in the postal channel that 1.) the items were sent by a registered supplier (or not) and 2.) whether GST has been collected offshore (or not). It is also often very difficult to identify from the information presented on parcels whether a consignment contains multiple imported goods and their individual values.

In our view, these limitations further support NZ Post's preferred option to have a higher threshold that would cover goods valued up to a $1,000 in a single consignment because the majority of items would have had GST collected offshore by registered suppliers.

Low-Value Goods sent by Unregistered Suppliers

We support the principle, as we understand it, that imported low-value goods (individual or multiple) in a single consignment with a combined consignment value at or below the $400 *de minimis* that have originated from a single unregistered supplier would not be subject to GST collection, tariff duties and other charges at the border (excluding alcohol and tobacco imports).

It is also our understanding that when an unregistered supplier sends only multiple low-value goods (individually valued at or below $400) in a single consignment that has a combined consignment value over $400, it has been proposed that only GST will be charged at the border in line with existing border processes (although it is unclear from the discussion document if NZ Customs would also collect tariff duty and cost recovery charges).

However, as explained above, it is not possible to monitor or enforce this. For clarification, we would like to understand how a consignment sent by an unregistered supplier will be processed on arrival at the border in New Zealand given that NZ Post is unable to identify unregistered supplier consignments using existing processes at the IMC. We could only capture consignments with a value over $400, but this would also include consignments from registered suppliers. NZ Customs would have to resource a team to determine if a consignment was sent from a registered or unregistered supplier.

We think that any approach to enforce GST collection on goods at the border is inherently inefficient and unworkable in the postal channel until an electronically data driven solution can be implemented. On a practical level, there would be additional complexity in the management of having to determine if GST has, or should have been, collected. This would unnecessarily delay shipments at the border resulting in additional administration and costs for NZ Post, poor customer experience and downstream delays in delivering items once accepted into our domestic delivery network.

Raising the *de minimis* to $1,000, as per our preferred approach, would alleviate our concerns around the proposal in the discussion document to physically collect GST at the border on multiple low-value goods in a single consignment valued over $400 where GST has not already been collected offshore.

<u>High-Value Goods</u>

We understand that the discussion document proposes no change to the tax treatment of single or multiple imported goods individually valued above $400 (i.e. high-value goods) where the existing process for collecting GST, tariff duty and government cost recovery charges at the border will continue.

However, we think it would be far more beneficial to raise the threshold to enhance the benefits of collecting GST offshore. The possible combination of high-value goods with low-value goods with the proposed $400 *de minimis*, along with having to establish in the first instance whether the consignment originating from a registered or unregistered supplier and the proposed evidential requirements for GST relief, creates more levels of complexity requiring additional skilled resourcing, warehousing, administration, etc. which will have a detrimental impact on NZ Post and consumers.

Valuation Method for Low-Value Goods

NZ Post supports, in principle, the proposed change to the *de minimis* from a calculation of 'total duty value' owing – which is complex in its calculation[2] – to a simpler fixed threshold based on the 'total value' of an individual item to determine when an imported good is classified as 'low-value' and therefore subject to GST offshore collection at the point of sale. We think this is a pragmatic and simpler *de minimis* valuation approach for both importers and suppliers to follow ensuring certainty and ease of use when ascertaining if GST should be collected offshore.

Customs duty is calculated based on the 'customs value' (or 'customs import value') of an imported item. For online shopping, the primary basis of valuation is the 'transaction value' of an imported good – this is prescribed in Schedule 2 of the current Customs and Excise Act. The NZ Custom's website states that *"If you're an online shopper, the Customs value is generally what you paid for an item."*

The transaction value therefore is the price actually paid or payable for the goods when sold for export to New Zealand adjusted in accordance with Schedule 2 of the Customs and Excise Act. The transaction value can have amounts added to or have amounts deducted from it. International transportation and insurance costs can be excluded from determining the customs value, insofar that those amounts are included in the price paid or payable and are clearly separated from the price of the item(s).

However, it would be an unreasonable to expect registered suppliers to calculate a customs value as prescribed in the Act, therefore the valuation should be kept as simple as possible for offshore suppliers that are not familiar with New Zealand's local customs valuation laws. NZ Customs currently has a threshold in place to determine when a shipment should be cleared as an Import Entry. Import shipments with a value for duty (customs value) at or above $1,000. This is determined by a person knowledgeable and competent in calculating the correct customs value.

In practice, the process used to determine the 'total value' of an individual good and therefore the value used to calculate the GST payable under an offshore registration model for low-value goods should in our opinion be based on the following:

1.) when the international freight and/or insurance cost is clearly separated from the price paid of a good, the price of the good should be used to determine if the item is at or below the $400 threshold (to

[2] Currently, GST is collected at the border when the 'total duty value' for a shipment is calculated to be $60 or more – i.e. it is above the *de minimis* threshold. 'Total duty value' is composed of GST, tariff duties and other charges.

calculate GST, the international freight and insurance component would then be added back to the value of the item); or

2.) when the international freight and/or insurance cost is not clearly separated, the total cost of the purchase (including international freight and/or insurance) is used to determine if the good is at or below the $400 threshold.

We note that under the Australian approach for offshore GST collection, the A$1,000 *de minimis* threshold is also based on a customs value, and that international transport and insurance costs are excluded from the valuation of goods (for the purposes of determining if they are a low-value good or not). We think that a customs value approach is too complex for offshore GST collection and eCommerce. When GST is charged on a low-value good because its customs value is A$1,000 or less, GST is then generally applied to all amounts paid by the consumer including international transport and insurance.

The discussion document does not clearly define what components are included to determine the 'total value of the good imported' to identify it as a low-value good. In the examples given in the discussion document the total purchase prices of the fictional goods are shown to be "inclusive of shipping" (there is no reference to insurance costs). These examples imply that international shipping costs (and possibly insurance) are included as part of the valuation method that offshore suppliers would be expected to comply with.

We believe this may not be the intended approach. We consider that the total value should only be the purchase value when sold for export to New Zealand excluding international shipping and insurance where clearly identified. For stakeholders' clarity, the government needs to clearly define the valuation method that will apply to offshore supplies of imported goods.

This is a fundamental point of issue as it makes a real difference to consumers (and suppliers) as it determines whether a wider range of low-value goods will be subject to offshore GST collection rather than be subject to high fiscal clearance costs and delays currently experienced at the border.

Proposed $400 de minimis Threshold

The discussion document proposes that registered offshore suppliers would be required to collect GST on supplies of imported physical goods to New Zealand consumers where the total value of an individual good is $400 or less (even when multiple low-value goods are shipped in a single consignment with a combined value over $400).

NZ Post considers that the proposed threshold has been set too low and we strongly recommend that the *de minimis* is raised from $400 to $1,000 (as implemented in Australia from 1 July 2018). A higher threshold would create more benefits, lower operational border and importer transactional costs, reduce complexity making it easier for consumers and suppliers to navigate eCommerce, and stimulate cross-border trade. It would also ensure that no unforeseen costs are potentially imposed on industry if a lower threshold was implemented.

We note that in the previous government's draft discussion document (July 2017), which formed the basis of this discussion document, it was proposed that GST would be collected offshore on a good valued at $1,000 or less. The current discussion document does not fully explain the policy rationale behind the government's decision to reduce the threshold by such a significant margin ($600 or 60%) to implement a lower $400 *de minimis*.

It appears that government's support for a lower threshold was influenced by the Tax Working Group's advice to ministers. In its letter, the Group does not support an increase in the $400 threshold because it is concerned "*that an offshore supplier registration model would mean that GST would continue to not be collected on imported low-value goods provided by unregistered sellers*" however, the Group did not elaborate on these concerns nor has it provided any supporting analysis.

We think the Group's concern is unfounded and just creates further complexity for eCommerce trade. By setting a lower $400 threshold, New Zealand would essentially be operating five GST collection models:

1.) GST collection offshore for a good valued at $400 or less;

2.) GST collection at the border for a good valued over $400 and up to $1,000 (including collection of tariff duty and government cost recovery charges);

3.) GST collection at the border for multiple goods individually valued at $400 or less where GST has not been collected offshore and are imported in a single consignment valued over $400;

4.) GST collection at the border on low-value goods where a registered supplier has relied on the proposed 'reasonable belief' exception; and

5.) GST collection at the border for a good valued over $1,000.

There are also potentially two valuation models under different legislation being applied i.e. offshore with GST collected under the GST Act and onshore with GST collected under the Customs and Excise Act

As has been implemented in Australia, it would be far simpler and workable in our view for New Zealand to only have two GST collection models by applying a $1,000 threshold.

We also think the fiscal risk – primarily the GST revenue foregone that would not be collected by unregistered suppliers for goods in the $400 to $1,000 range that appears to be the Group's main concern – is minimal. In addition, the GST revenue foregone that the Group believes will be protected will be substantially eroded once tariff duty and government cost recovery charges are applied.

The practical reality is that the volume of physical goods with a declared value between $400 and $1,000 is very small, and it is likely that much of the volume would anyhow originate from registered suppliers thereby ensuring that GST collection would be maximised if there is a higher threshold.

Based on NZ Post sample data of the declared value of imported goods in the 2015 financial year, the volume of mail items with a declared consignment value over $400 accounted for approximately less than 2% of inbound volume in the postal channel (of which a proportion will have been business-to-business supplies, so the actual volume of personal imports was lower).

We also note that in its public support for an offshore supplier registration model, Retail NZ stated[3] that if "*only the top 20 international suppliers became registered for GST, this would ensure tax is collected on at least two-thirds of the volume of goods entering the country – which is two-thirds more than at present*." Retail NZ also stated that 3.5 percent of offshore retailers earn more than $60,000 in revenue from New Zealand customers, but account for 98.1 per cent of low-value transactions and 86.1 per cent of all dollars spent offshore.

Research undertaken by NZ Customs[4] in 2016 that looked at the 'value of goods' indicated that only 2% of online shoppers purchase physical goods from abroad that cost more than $400 'often' or 'very often' and 12% 'occasionally' and 86% 'never' purchased.

We also believe that having a $400 threshold would be counterproductive. We know from the same research that the trigger of tax collection and government cost recovery fees[5] at the border is a

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[3] http://www.retail.org.nz/advocacy/efairnessnz

[4] NZ Customs: Consumer Motivation for Purchases of Low-Value Goods from Abroad, UMR Research.

[5] On 1 July 2018, MPI increased its Biosecurity System Entry Levy to fund higher levels of biosecurity. This increase, combined with Customs' Import Entry Transaction Fee brings the total entry cost recovery fees payable to $56.67 (including GST) per consignment.

constraining factor on the online purchasing behavior for goods over $400 in value. If the threshold was raised to $1,000, it is likely that higher inbound volume will be stimulated which will generate incremental GST revenue for the government when it is collected offshore.

Taking into account tariff duty and government cost recovery charges that will apply to goods valued over $400 and up to $1,000 cleared at the border, the government is likely to recover more GST revenue if the *de minimis* is set at $1,000 and it would also impose less costs on importers, border agencies and NZ Post. The additional processes, complexity and work to manage GST collection at the border for imported goods valued above $400 and up to $1,000 are likely to outweigh the perceived benefit. At stated earlier, there is no evidence to support a $400 *de minimis* for the very small volume of goods that will fall within the $400 to $1,000 value range.

Impact on NZ Post Border Operations

It is our working assumption, based on the proposed rules in the discussion document, that the government does not intend that NZ Customs would generally enforce the offshore GST registration model for low-value goods at the border.

On this basis, NZ Post does not anticipate any change to its current day-to-day operations at the IMC. NZ Post staff will continue their visual inspection of international mail consignments checking for single items with a declared value over $400. NZ Customs would then need to determine what process needs to be taken for that consignment in line with the proposed model.

We also understand that the government intends that current processes for collecting GST (and other duties) at the border by NZ Customs would continue to apply to individual high-value goods valued over $400 or to consignments with a declared value over $400 where GST has not been collected offshore on any low-value good in a consignment.

If our assumption is wrong, we would need to understand how the government intends to confirm that low-value goods in the postal channel have had GST paid (if they have originated from a registered supplier) and what process would be implemented at the border when it is identified that a good should have had GST applied to it but it does not.

It is important that officials are aware of the current practical limitations in the postal channel. It is currently not possible for NZ Post (for international mail product) to confirm that mail items have been delivered by a registered supplier or to determine if GST was collected by a registered supplier.

There is currently no visual data on international mail items (at the border) or advance electronic data or any other form of evidence that can be checked by NZ Post or provided to NZ Customs that can identify if mail items have originated from a registered supplier and/or if GST has been collected.

YouShop

NZ Post offers a service called YouShop for the delivery of physical goods from the U.S.A. and the U.K. (for shopping across Europe) to New Zealand on behalf of consumers resident in New Zealand. YouShop is not involved in the collection or purchase of overseas goods.

YouShop items enter New Zealand through the commercial import channel (non-postal) so goods are cleared at the border on a commercial basis (by International Freight Services which is a subsidiary of NZ Post). Unlike the postal channel, when GST and duties are payable importers may need to use a customs broker to assist with their clearance which incurs additional charges.

As contemplated in the discussion document, the YouShop service would fall within the scope of the proposed rules for re-deliverers and would be required to register and collect GST on all goods valued at or below $400 imported through YouShop.

We agree with the government's view that re-deliverers are, in principle, responsible for any GST on the supply of imported goods because overseas merchants in the USA and UK (Europe) selling the goods do not assist in bringing the goods to New Zealand. YouShop would potentially incur higher costs of compliance than it does now as it will have to collect and remit GST on goods valued at or below $400.

We note that the discussion document is vague on the specific rules that would apply to re-deliverers, but it does hint that the rules could be consistent with the Australian approach. While we tentatively support the notion that the Australian model for re-deliverers is adopted in New Zealand, there are certain aspects of the Australian approach that NZ Post does not support.

Under the Australian approach, re-deliverers must in addition to the GST charged on the amount paid by the customer for the goods, also charge GST on the amount the customer pays for the re-deliverer's services to get the goods to Australia.

This raises potential concerns around what should be the GST payable on the taxable supply of goods that re-deliverers are treated as making and the GST payable on the taxable supply of services to the consumer. GST is currently not charged on YouShop's services because they are performed offshore (e.g. warehousing, repacking and consolidation) as shown in the table below (inbound international postage is also GST zero-rated):

YouShop Service	Published Price (as of 1 July 2018)	GST Status
High value item surcharge	$6.00	Zero-Rated
Repacking fee	$4.50	Zero-Rated

NZ Post would welcome further clarification from officials regarding what components of re-deliverers' services should have GST charged collected on.

Low-value Goods that are Gifts

There are existing legislative rules (pursuant to the Customs and Excise Act) that allow New Zealand residents under certain circumstances to avoid paying Customs duties when they receive a gift[6]. The discussion document has not explained how these rules and the $110 concession per gift item would be applied under the proposed GST offshore registration model (not applicable to tobacco imports). NZ Customs Factsheet 28 (issued July 2016) states:

"Gifts sent from a person overseas to a person resident in New Zealand with a declared value of NZ$110 or less are eligible for duty free entry provided the gift is unsolicited (not ordered or paid for by the intended recipient) and is of a personal nature.

Gifts valued over NZ$110 will attract duty and GST on the value over NZ$110.

Gift parcels containing multiple gifts for different people are also eligible for the gift concession if the individual gift can be identified at the border and the identity of each recipient can be established. One gift

[6] https://www.customs.govt.nz/personal/duty-and-gst/gifts-inheritance-and-taonga// and https://www.customs.govt.nz/about-us/news/important-notices/application-of-the-part-2-reference-75-concession-presents-or-gifts/

concession of $110 per individual recipient is allowable but the concession may not be combined by multiple persons on one item.

Alcohol products may be allowed the gift concession if the recipient can prove it is a genuine gift, eg, to celebrate a specific occasion and is not being imported to avoid paying of duty and GST."

We also note that this gift concession is provided pursuant to international standards promogulated by the World Customs Organization[7] that countries:

"Grant admission free of import duties and taxes and free of economic import prohibitions or restrictions in respect of consignments containing only gifts the aggregate value of which, determined on the basis of the retail prices in the country of dispatch, does not exceed 30 SDRs. Where several consignments are dispatched at the same time by the same sender to the same addressee, the aggregate value shall be taken to be the total value of all those consignments."

We have not considered the implications for NZ Post, but on a practical level it may require our YouShop re-deliverer platform to design and build a more complex tax calculator to cater for gift declarations on offshore purchases made for New Zealand residents.

Exchange Rates

The discussion document has not provided any guidance to offshore suppliers and re-deliverers around how they would be expected to convert local currencies into New Zealand dollars for the purposes of determining:

1.) when goods are low-value goods i.e. to arrive at a 'total value'; and

2.) the amount of GST payable for the taxable supply of goods.

We note that in Australia, the Australian Tax Office has applied special rules to re-deliverers when calculating GST. NZ Post would welcome further guidance from officials on this point and recommend that government publishes easily accessible exchange rate information using an agreed third party exchange rate source, NZ Customs' published rates of exchange[8] or an alternative method provided for under a legislative instrument.

This is important so that we can better understand the system requirements and compliance costs to implement point of sale GST collection for our YouShop re-deliverer service.

Sale for Export Value

We note that the taxing point for low-value goods covered by the proposed offshore collection model is shifting from the border to the point of sale, however, it is not clear from the discussion document at what point in the supply value chain the sale for export value is determined.

At what point in time should re-deliverers convert the overseas "total value" paid into New Zealand dollars? – for example, should it be converted at the applicable exchange rate for the day when the consideration is agreed between the importer and the overseas merchant or at another time? In NZ Post's view, it should be at the point of sale i.e. at the time of purchase.

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[7] http://www.wcoomd.org/en/about-us/legal-instruments/recommendations/pf_recommendations/pfrecomm27freeadmnconsign.aspx
[8] https://www.customs.govt.nz/business/import/customs-exchange-rates/

It is also unclear how re-deliverers would need to establish the total amount the consumer paid the merchant for the goods in order to determine if there is a supply of low-value goods and if so, to determine how much GST is payable.

It is not clear if local taxes or fees in the USA, UK and Europe should be taken into account and whether local (inland) or international transportation (from Europe to the UK) charges and insurance are included in the valuation or not. The discussion document has not provided any examples of how this would work in practice for a re-deliverer. We believe that inland (domestic) and international freight, insurance and local taxes etc., should not be included (where clearly identifiable).

Reasonable Belief Exception

NZ Post does not support the proposal to implement a reasonable belief exception to taxable supplies of multiple low-value goods exceeding the proposed $400 threshold. We think that all registered suppliers should by default be expected to comply and only collect GST offshore.

We do not think it would be beneficial to provide registered suppliers with an option to shift their compliance from offshore to the border. It would only undermine the integrity of the offshore collection system and result in additional costs and delays for consumers, NZ Post and NZ Customs at the border. Such an exception only serves to add further complexity. As we have explained above, due to limitations in the postal channel NZ Post does not understand how a consignment with multiple low-value goods sent from a registered supplier that has exercised the reasonable belief exception could be identified at the border given existing processes at the IMC.

Conclusion

NZ Post is keen to further assist officials during the policy development process and design of an offshore supplier GST collection system. We would also be interested to discuss the practicalities of enforcement at the border and the opportunities to further streamline the cross-border taxation environment for importers.

Yours sincerely,

s9(2)(a)
[redacted]

s9(2)(a) [redacted]

Regulatory Advisor

New Zealand Post Limited