

Taxamo

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Comments on extension of New Zealand Goods and Services Tax (GST) to low-value goods

1. Electronic Marketplace definition

The EMP definition can be improved. For clarity, the Electronic Marketplace (EMP) needs to have access to the information that is necessary to determine the GST treatment of a good.

In this respect the definition of an EMP should evolve to mirror a recently-released definition from the Inland Revenue Authority of Singapore (IRAS). This definition can be found here: https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/GST%20Taxing%20imported%20services%20by%20way%20of%20an%20overseas%20vendor%20registration%20regime.pdf

Here we replicate the Singapore definition, which states that “an electronic marketplace is defined as a medium that:

- I. allows the suppliers to make supplies available to customers; and
- II. is operated by electronic means.

This includes marketplaces operated via a website, internet portal, gateway, distribution platform or any other types of electronic interface, but excludes payment processors or internet service providers.”

The EMP with the necessary information to comply can become liable for GST based on its contract with its merchant

Therefore, we propose that the following should be added to the New Zealand definition of an EMP:

“Any intermediary with the information that is necessary to determine the GST treatment and who contractually agrees to collect the GST.”

2. EMP liability

The EMP should be liable no matter where the underlying merchant (inside New Zealand or outside) is located. It is too burdensome to make a distinction. It is the underlying New Zealand merchant that should find a way to prove that the GST due was paid.

The other option is to introduce exceptions. Exceptions, however, are difficult to manage and are subject to differing interpretations.

3. Foreign exchange rates

In relation to foreign exchange (FX) rates. It should be authorised that a fixed rate equivalent can be determined for the year for goods that have a price close to the threshold of NZ\$400 or less (excluding GST).

It should be clear who needs to collect the GST, the foreign supplier or customs. Otherwise, the responsibility to collect the GST may change from one shipment to the next. Here, the real value at the time of the supply needs to be reported on the return. However, it should be a fixed value and should be agreed upon so as to know who is liable for the collection of the GST, the vendor or customs.

4. Proof of GST Payment

We agree that proof of GST charged should be automatically linked to the package so that customs can check GST charged automatically without requesting proof from the customer. An automatic, and simplified, way to implement this process is necessary.

5. Refunds due to double taxation

If double taxation occurs then the refund should be made by customs with a simplified process put in place. This simplified process is required so as not to place the burden of refunds on the foreign merchant that will, in turn, also need to update their original GST return.

Foreign merchants will also have to retain the proof of the double taxation that occurred.