

New Zealand: Goods and Services Tax (GST) on B2C Low Value Imported Goods

Introduction

From 1 December 2019, low value goods costing NZD 1,000 or less supplied by overseas businesses to New Zealand consumers (known as “distantly taxable goods”) will be treated as supplied in New Zealand and subject to New Zealand Goods and Services Tax (GST).

The new rules are designed to restore a level playing field for New Zealand retailers, whilst at the same time simplifying border processes.

Impact on businesses selling into New Zealand

This law impacts a significant number of overseas businesses as:

- it applies to overseas suppliers regardless of whether they have any people, premises or tax presence in New Zealand;
- it applies to low value goods, including those that were previously below the customs threshold; and,
- it will have an impact on pricing and profit margins.

The new rules require overseas suppliers, redeliverers and online marketplaces such as Amazon and eBay, whose total taxable supplies of goods and services to New Zealand consumers exceed NZD 60,000, to charge GST on “distantly taxable goods” at the time of sale.

Businesses that meet the NZD 60,000 threshold need to:

- register for GST (a simplified “pay only” registration is available to overseas suppliers);
- charge GST on relevant sales;
- report GST information to Customs; and,
- remit the GST to the New Zealand Inland Revenue by filing online returns.

Consequences of non-compliance

The consequences of non-compliance can be serious, with significant penalties potentially being imposed by the New Zealand Inland Revenue.

What businesses need to be doing now

Businesses impacted by the change in law and yet to take action need to consider the following:

- Registering for either the standard or simplified “pay only” GST system by 1 December 2019.
- Reviewing pricing to take into account the charging of GST.
- Communicating to customers that GST is chargeable on relevant supplies from 1 December 2019.
- Updating terms and conditions and website information to include clauses to allow for the charging of GST, and clearly identifying whether advertised prices are inclusive or exclusive of GST.
- Ensuring that accounting, check-out and billing systems can incorporate the GST element of a sale and produce appropriate management information that clearly identifies where GST has been charged.