

Fact sheet: GST on low-value imported goods

Summary of proposals in the discussion document

From 1 October 2019:

- Offshore suppliers would be required to register, collect, and return New Zealand GST on goods valued at or below \$400 supplied to New Zealand consumers.
- The rules would apply when the good is outside New Zealand at the time of supply and is delivered to a New Zealand address.
- Offshore suppliers would be required to register when their total supplies of goods and services to New Zealand exceed \$60,000 in a 12-month period. In certain circumstances, marketplaces and re-deliverers may also be required to register.
- Tariffs and border cost recovery charges would be removed from goods valued at or below \$400.
- The current processes for collecting GST and other duty at the border by Customs will continue to apply for goods valued over \$400.
- The current border processes for managing risks in relation to imported goods, including biosecurity assessment, will remain in place.

The following table sets out what the changes would generally mean for different parties:

Buyers & sellers	Imported goods valued at or below \$400	Imported goods valued above \$400
NZ consumer	GST charged on the purchase at the point of sale.	GST collected on purchase at the border by Customs.
NZ GST-registered business	No GST charged on the purchase	GST collected on purchase at the border by Customs. Any GST incurred can be claimed back.
Offshore suppliers, online marketplaces and re-deliverers that reach the registration threshold	GST should be charged, collected and remitted to IRD on sales to NZ consumers. GST should not be charged on supplies made to GST-registered businesses.	GST should not be charged by the supplier. Customs would collect GST as the goods cross the border.

Note: this table reflects only how the proposed rules would work in the majority of cases. Actual results may differ in some instances. Chapter 3 of the Discussion Document has a more thorough explanation of the scope of the proposals. For example, it addresses what would happen if an offshore supplier returns GST on a consignment that Customs assesses as having a value greater than \$400, or if a GST-registered business is incorrectly charged GST by the supplier.

Impact on consumers - examples

The proposed changes would not necessarily mean that all online purchases of goods by consumers will become more expensive.

Under the proposals, if a consumer imports goods valued at or below \$400 the offshore supplier would add GST to price of the online purchase. Goods valued below \$400 which do not currently have GST, duties and cost-recovery charges collected at the border would be more expensive under the proposal.

However, goods valued at or below \$400 which do currently have GST, duties and cost-recovery charges collected at the border would be cheaper under the proposal.¹ This is because consumers would no longer pay tariff duty and cost recovery charges on these goods.

Purchase	Current treatment	Proposed treatment
\$50 t-shirt	Total cost of parcel: \$50 No current charges at the border	Total cost of parcel: \$57.50 \$50 t-shirt + \$7.50 GST
\$300 jacket	Total cost of parcel: \$428.74 \$300 jacket + \$30 tariff (10% x \$300) + \$49.50 GST (15% x \$330) + \$49.24 border processing fee	Total cost of parcel: \$345 \$300 jacket + \$45 GST.

Proposed registration requirements for offshore suppliers

Offshore suppliers would be required to register and return GST if their total supplies in a 12-month period to New Zealand consumers exceed \$60,000. This is the same threshold that applies to domestic businesses and to offshore suppliers of cross-border services. Offshore suppliers would not be required to collect GST on goods supplied to GST-registered businesses.

The proposal includes special rules for online marketplaces and “re-deliverers”:

- In situations where an offshore supplier sells their goods through a marketplace, the marketplace is required to register and return the GST on the good instead of the supplier.
- Re-deliverers are used by consumers when the supplier or marketplace does not offer shipping to New Zealand. The good is instead shipped to an overseas “hub” or mailbox, which then ships the good to New Zealand. Under the proposals, re-deliverers would be required to register and return GST in respect of goods that they “re-deliver” to a New Zealand address.

The \$60,000 GST registration threshold would also apply to marketplaces and re-deliverers.

Where can I make a submission on the proposals?

To make a submission on these proposals, please e-mail policy.webmaster@ird.govt.nz or write to the following address, by 29 June 2018:

GST and low-value goods
C/- Deputy Commissioner Policy and Strategy
Inland Revenue Department
P O Box 2198
Wellington 6140

¹ The exceptions to this are alcohol and tobacco products. Excise taxes, GST and other charges would continue to be collected on these goods at the border by Customs, regardless of their value.