

New Zealand's new GST on low-value imported goods (LVIG)

June 2019

NZ has enacted legislation that will require offshore sellers, electronic marketplaces and redeliverers* to register and account for **15 per cent GST** on sales of LVIGs (valued at or below NZD1,000) delivered to NZ, if sales of LVIGs to NZ consumers exceed NZD60,000 in a 12-month period. The charge will apply from **1 December 2019**.

What's changing for sales of goods to NZ?

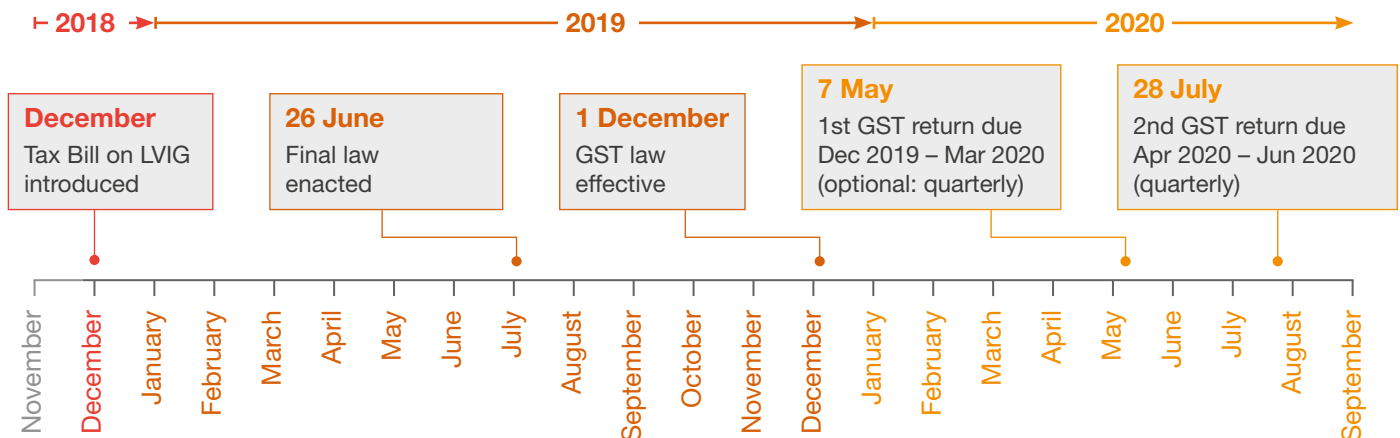
Currently	New LVIG rules
<p>Point of sale</p> <ul style="list-style-type: none"> Non-residents do not account for NZ GST on sales of goods, provided the goods are not physically in NZ at the time of supply. 	<ul style="list-style-type: none"> Non-residents and marketplaces must account for NZ GST on sales of goods delivered to NZ valued at NZD1,000 or less. Only "B2C" sales (to NZ end consumers) will be caught – "B2B" sales to GST registered businesses are generally excluded.
<p>At the border</p> <ul style="list-style-type: none"> The importer pays GST/duty at the border to NZ Customs if the value of the consignment exceeds the current <i>de minimis</i> threshold (c.NZD250-400 depending on whether tariff duty applies). 	<ul style="list-style-type: none"> The <i>de minimis</i> threshold for GST/duty at the border will increase to a consignment value of over NZD1,000. Rules will apply to prevent double taxation.



Affected sellers and marketplaces must take action now to prepare for implementation. Systems and pricing need to be updated by 1 December 2019 to avoid the GST directly affecting their margins.



Road map



< 6 Months →

Overseas experience shows it can take at least 6 months to prepare for implementation



* Broadly, a redeliverer is used by shoppers when the supplier does not offer shipping to NZ, e.g. via an offshore "hub" or mailbox.

Some next steps:

Step 1:

- Check whether you will be liable.
- Set up a project team.
- Seek professional advice.

Step 2:

- Set up systems, including:
 - identify NZ delivery address.
 - track B2B vs B2C supplies.
- Marketplaces:
 - review contracts with business partners, e.g. terms of sale.
 - verify residence of underlying suppliers.
- Communication with customers.

Step 3:

- Reflect GST in prices.
- Register for GST.
- Set up GST compliance process.
- Obtain confirmation of GST registration/NZBN from B2B customers, or seek concession from Inland Revenue.

Issues to consider:

- What are the total sales of goods to NZ under NZD1,000?
- How to deal with sales of multiple items (both high and low value)?
- Can we elect to charge GST on high value goods too?
- How do we track B2B vs B2C customers?
- Is it easier from a systems perspective to exclude or include B2B supplies of LVIGs? (The inclusion of B2B supplies is subject to criteria in the GST law.)
- Dealing with currency conversions, transport and insurance costs.
- Electronic marketplaces and redeliverers – many extra issues to consider.
- Issuing receipts and Customs information with the goods.
- In appropriate cases, issuing a single document that is both a GST receipt and a tax invoice.
- Refunds for double tax and incorrect tax.
- Vouchers, discounts and returned goods.
- Consider concessions, exemptions and safe harbour rules.
- Consider new rules before introducing new products or changing supply chain.
- Consider transitional rules for contracts entered into before 1 December 2019.

Get in touch

It is imperative for impacted sellers to assess their obligations and business processes to accommodate these changes as soon as possible.

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The PwC NZ Indirect Taxes team is closely connected with the PwC Global network and can provide sounding board support to help make the implementation of the new rules as smooth as possible. The time to act is now.

