

KEY FACTS FOR MEDIA

#efairnessnz

SUMMARY

GST and duty is not paid on most goods worth less than \$400 that are bought from foreign retailers.

- This is a problem for all New Zealanders as it is hurting Government finances, damaging local businesses, and costing Kiwi jobs.
- The Government is missing out on more than \$200 million every year because of this tax loophole, and this will grow as more people shop online from foreign retailers.
- The Government can and should fix the problem now.

#eFairnessNZ is a campaign to close the loophole and to give Kiwi taxpayers and businesses a fair go.

WHATS THE PROBLEM?

New Zealand is a great country to live in, and Kiwis expect the Government to provide core services, including healthcare, education, ACC, Police, fire and social services. The Government pays for these services by collecting GST, income tax & corporate tax.

- The current loophole in the law means that the Government doesn't collect GST or duty on low value imports (generally worth less than \$400) purchased from foreign websites. **That's not fair.**
- The Government misses out on at least \$200 million in tax (maybe as much as \$500 million) every year - meaning that New Zealanders who don't shop offshore have to pay more tax to make up the hole in Government revenue. **That's not fair.**
- The loophole means that Kiwi businesses automatically face at least a 15 per cent price disadvantage and can't compete with foreign websites. Ultimately, they will be forced to close, turning our once-thriving town centres into ghost towns. **That's not fair.**
- New Zealand is out of step with the rest of the world. In most other countries, VAT is collected on most low value goods. Our \$400 threshold compares to \$29 in the UK, \$21 in Canada, \$31 in Germany and \$41 in South Africa¹.



¹ GBP 15, CAD 25, EUR 22 & USD 32 respectively, based on exchange rates as at 25 March 2015

WHAT'S THE SOLUTION?

The Government can and should take urgent action to close the loophole now.

Require foreign retailers to register for GST in New Zealand

Foreign websites should collect GST and pass it to IRD, just as local retailers do. This has already been implemented by South Africa and the European Union for digital goods and services, and a number of states in America for low-value goods.

Bring our low value threshold into line with other countries

The government could lower the de minimis threshold to \$25 right now, and collect GST and duty as items cross the border, if these have not already been paid by the foreign retailer. Costs could be charged, as they are now for items valued at more than \$400. This will encourage foreign retailers to register for GST as they will be able to provide a better customer service.

THE GOVERNMENT IS MISSING OUT ON \$200-\$500 MILLION EVERY YEAR



FAQs

How much do Kiwis spend on foreign websites?

The amount New Zealanders spend on goods from foreign websites is approaching \$1.5 billion and this number is growing all the time.

Why does this matter?

Fixing the loophole will plug a hole in the Government's finances. \$200 million is more than one per cent of GST currently collected and could make a significant difference to New Zealand.

Isn't this an international issue?

No - most countries already collect taxes on low value goods. New Zealand is out of step with most other jurisdictions.

Shouldn't we wait for the OECD to make policy on this?

No. While the OECD is thinking about this issue, Kiwi retailers and town centres are hurting, and Kiwi jobs are being lost. The Government needs to act now.

Why should Kiwis have to pay tax on low value purchases?

GST is supposed to be a universal consumption tax that applies to all goods and services to pay for the services government provides. It's not fair that some big foreign companies aren't paying their share.

Why are goods in New Zealand often more expensive than on foreign websites?

New Zealand is a small, distant market, and we are often reliant on wholesale arrangements to service customers. There are significant costs in keeping shops open, including the costs of paying wages to employees, ACC levies, rents, and meeting the requirements of New Zealand consumer law. Foreign websites that ship goods directly from a warehouse offshore don't have to contend with many of these costs.

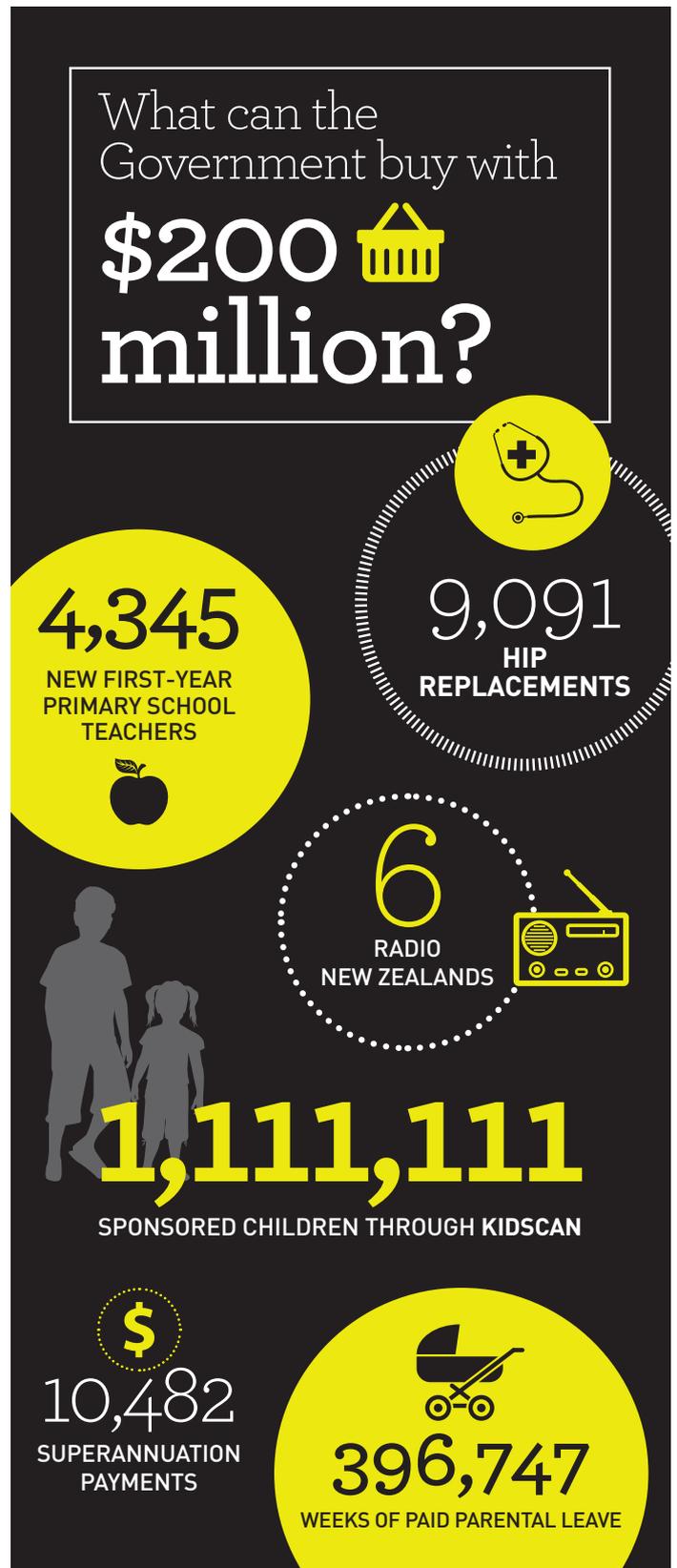
WHAT DO OUR LEADERS THINK?

Prime Minister John Key says he thinks:

"New Zealanders are quite prepared to pay their fair share of GST" and that resolving the de minimis loophole is "inevitable".

Labour Leader Andrew Little says:

the "gap in our GST collection" needs to be plugged.



#eFairnessNZ

Retail NZ and Booksellers NZ have launched the #eFairness NZ campaign to call for Government action to fix the tax loophole.

Follow our campaign on social media using the hashtag #eFairnessNZ and keep up to date on our efforts on our website www.retail.kiwi/eFairnessNZ

Contact: For more information please email Greg Harford at: greg.harford@retail.kiwi or phone (04) 805 0853

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