



## Office of Hon Nicky Wagner

MP for Christchurch Central

Minister of Customs

Minister for Disability Issues

Associate Minister supporting Greater Christchurch Regeneration

Associate Minister of Conservation

20 JUL 2016

Mr Greg Harford  
General Manager, Public Affairs  
Retail NZ  
PO Box 12-086  
Thorndon  
WELLINGTON 6144

Dear Mr Harford

Thank you for your letter dated 30 June 2016 addressed to the Hon Michael Woodhouse, the Hon Craig Foss and me regarding the collection of GST and duty on goods below the *de minimis* level. I am responding on behalf of all Ministers as the matters you raise fall within the responsibilities of my Customs' portfolio.

In an ideal world, GST would be collected on all goods imported into New Zealand for consumption. However, New Zealand and other countries apply *de minimis* thresholds below which no duty, including GST, is collected on imported goods. *De minimis* thresholds are applied to facilitate the flow of goods and trade and to ensure the cost of collecting GST on low-value goods does not outweigh the benefits of doing so.

As a former retailer myself, I appreciate that New Zealand retailers consider themselves to be at a competitive disadvantage to overseas suppliers because GST and duty is not charged on imported low-value goods. I understand the importance of treating offshore and onshore retailers in a fair and consistent way and that competitive neutrality should be an important objective for a review of treatment of imported low-value goods.

The Government acknowledges this is an important issue for New Zealand retailers. In November 2015 the Cabinet instructed Customs to consult with key stakeholders and report back. However, despite consultation with stakeholders and extensive examination of different levels of threshold using a financial model, I don't believe there is a workable and economically acceptable way forward until new international digital data is available and new technologies and processes can be implemented.

For these reasons, I have asked my officials to explore alternative, lower cost, methods of collecting GST on imported goods. Once Customs has a better understanding of the best ways to collect tax for low value imports, we will look to lower the threshold, potentially from the 2018/19 financial year.

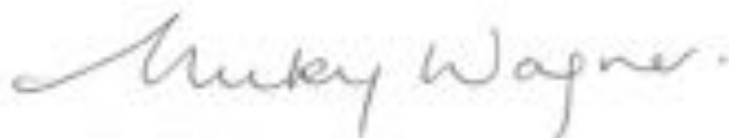
From 1 October 2016, New Zealand will collect GST on intangibles and services through the Offshore Supplier Registration model. This method to collect GST, as well as other methods, will be considered by officials as possible alternative methods of collecting GST on imported goods. However, I note that while this method is regarded internationally as an appropriate way of collecting GST on intangibles and services, it has not yet been adopted to collect GST on physical imported goods.

No international consensus exists yet around the use of offshore supplier registration for cross-border goods. Physical goods present greater challenges for Customs' agencies and freight forwarders around the world because goods need to be processed through a more complex process than intangibles with potentially large compliance costs for offshore suppliers and administrative impacts for New Zealand Customs and Inland Revenue.

Australia is the only country that has signalled that it will adopt the offshore supplier registration model for physical goods (from 1 July 2017). I will be monitoring closely the success of this model in Australia.

Thank you for taking the time to write.

Yours sincerely



Hon Nicky Wagner  
**Minister of Customs**

CC Hon Michael Woodhouse, Minister of Revenue  
Hon Craig Foss, Minister for Small Business