

# Digital economy impact checklist

## Update on indirect tax developments in New Zealand



This indirect tax digital economy checklist provides you with an update on a recent country development; kindly review to see how your organization may be impacted. In case of any queries, please contact your local KPMG advisor.

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### Summary

<b>Jurisdiction affected:</b>	New Zealand.
<b>Summary of the change:</b>	Offshore supplies of goods to New Zealand (NZ) consumers which are below the low value goods threshold will be subject to GST from 1 October 2019.
<b>Current status of the change:</b>	Consultation phase (but note consultation is on the design details only of the offshore supplier model. It is not consultation on other models or the commencement date).
<b>When does the proposed change commence?</b>	1 October 2019.

### Obligations imposed on remote sellers

<b>Does a VAT registration potentially trigger consequences for corporate income tax purposes (e.g., does it deem a permanent establishment (PE))?</b>	No. No change to PE rules for income tax proposed (by MLI and prior income tax changes) may affect the income tax position.
<b>Will remote sellers and/or platforms need to register?</b>	Yes. It is the platforms and re-deliverers who are primarily liable for the GST for sales facilitated through them (whether or not the offshore seller is registered), and where there is no such platform or re-deliverer, then the offshore vendor may need to register and account for the GST.

<b>Is there a (simplified) registration procedure, and is it open to non-established entities?</b>	Yes. Similar process as applies for offshore suppliers of remote services.
<b>What is the registration threshold for foreign suppliers?</b>	NZD60,000 per annum. <b>Is it the same as local suppliers?</b> Yes.
<b>Who pays the VAT/GST – supplier/platform/split payment/withholding/reverse charge/other approach?</b>	Supplier/platform/re-deliverer have primary liability. Reverse charge for B2B goods used for non-VAT taxable purpose.
<b>Is the liability for accounting for the VAT/GST limited to just the supplier, or may other parties potentially be liable (e.g., joint liability)?</b>	Limited to supplier. Platforms and re-deliverers potentially liable.
<b>How often must VAT/GST returns be filed?</b>	Quarterly if registered only under this rule.
<b>Are tax invoices required to be issued?</b>	No (but may be required if there is a B2B sale).

## Types of supplies affected

<b>Goods, services or both?</b>	Goods.
<b>Is there a low value threshold (for goods)?</b>	Yes. Only applies if the value of goods is less than NZD400 which is the current (albeit proxy) threshold for importation of goods without customs collecting GST on importation. (Technically, the threshold varies because it is set by reference to collecting an amount of GST and duties. Goods with a value lower than NZD400 can currently have GST collected if duties apply).
<b>Are businesses required to advertise or state prices inclusive of VAT/GST?</b>	NZ consumer law (which requires that advertising is not misleading) may have this effect. Further, NZ consumers may also expect this so the consumer experience may be affected if this does not occur. Questions of legal jurisdiction may require legal advice to be obtained/confirm the position.
<b>Are any of those supplies potentially subject to a reduced rate or zero rated or exempted?</b>	Yes. An offshore supplier can choose to zero-rate B2B supplies to allow NZ GST input tax to be claimed.
<b>Must VAT be mentioned separately on the invoice?</b>	Yes if it is a tax invoice.

## Determining the status of the customer

<b>What types of customers are classified as B2B?</b>	New Zealand GST registered businesses supplying a GST registration number, or an NZ business number.
<b>What requirements are there for determining if the customer is located in that country? What proof is needed?</b>	A delivery address to New Zealand will be treated as an NZ consumption. We would expect this to be a matter of fact as it would be consistent with the commercial requirements for delivery of the goods.

## Possibilities to provide input to the government

**Is there a process in place to share comments/practical problems with the respective legislative body or government or other groups?**

Yes.

Submissions on the discussion document are open until 29 June 2018. However, note the Government has decided to implement an offshore supplier registration model. There appears to be limited immediate opportunities to advance other options except with a longer term view. The question is worth discussing though.

# Who to contact

For more information and detailed advice on the change and on digital sector tax/indirect tax advice, please contact:

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