New Zealand’s Goods and Services Tax on Imported Remote Services

Submitted by: New Zealand
NEW ZEALAND’S GST ON IMPORTED REMOTE SERVICES

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15% tax on goods and services sold by businesses which are registered for GST

GST is a Value-Added Tax (VAT)

Business-to-Business supplies – purchaser claims a deduction / refund for the GST charged by the supplier

Business-to-Consumer supplies – 15% GST is ultimately collected on the final good or service supplied to a NZ consumer

GST collects about 30% of NZ’s total tax revenues

GST applies to imported goods and **imported remote services**
VAT / GST on imported digital services

- VAT / GST was the first tax type to be successfully reformed to address the digital economy / internet businesses

- OECD International VAT / GST guidelines

- Over 70 economies require offshore suppliers of digital services to register for GST / VAT

- NZ has applied GST to digital services and other remote services since Oct 2016
Remote services

Remote services means a service that, at the time of the performance of the service, has no necessary connection between—
(a) the place where the service is physically performed; and
(b) the location of the recipient of the services

Examples of remote services include:
- digital content such as e-books, movies, TV shows, music
- online sales of games, apps, software
- gambling services
- webinars or distance learning courses
- website design or publishing services
- legal, accounting or consultancy services
- insurance services

All taxed at 15% GST
Offshore Supplier Registration

- Require the offshore supplier to register and charge GST
- Over 460 offshore suppliers registered, including around 80 that supply both remote services and low value imported goods
GST collected on remote services

GST revenue collected (NZD $m)

12 months ending 31 March:

- 2018: $138.4m
- 2019: $167.8m
- 2020: $191.5m
- 2021: $234.9m

NZD$234.9m = USD$164.2m
Business-to-Consumer services only
No GST on business-to-business services (as a business customer would claim back the GST in any case)

Offshore suppliers don’t need to register for GST if
< NZ$60,000 of annual sales to NZ consumers
  - Removes compliance costs on small suppliers
  - NZ suppliers also don’t need to register for GST if their annual sales < $60,000

Require **electronic marketplaces** to register and return GST on behalf of underlying sellers
How to identify a NZ consumer?

Use two pieces of evidence to confirm a customer is in New Zealand:
- the customer's billing address
- the internet protocol (IP) address of the customer's device or another geolocation method
- bank account details
- international dialling prefix (IDD) / SIM card
- other relevant information

Assume the customer is not a business unless they have provided their GST registration number, New Zealand Business Number or notified the supplier of their status as a GST registered business

Flexibility to agree alternative methods with Inland Revenue (NZ tax authority) to determine if selling to a New Zealand consumer (or not)
Filing GST returns

- **Simplified “pay only” system**
  - with option to do full GST registration in rare cases where the offshore business has NZ GST costs such as staff training

- **Quarterly filing** and 31 Dec balance date
  - Aligns with US / multinational accounting practices
  - First filing period was 6 months after the rules began to apply (instead of the usual 3 months) to allow more time to prepare

- **Implementation:** provide sufficient time for offshore websites to modify their IT systems
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