



**Asia-Pacific
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New Zealand's Goods and Services Tax on Imported Remote Services

Submitted by: New Zealand



**Workshop on the Application of Non-
Discriminatory Internal Taxes to Electronic
Transmissions
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Inland Revenue
Te Tari Taake

NEW ZEALAND'S GST ON IMPORTED REMOTE SERVICES

Gordon Witte

Principal Policy Advisor

Inland Revenue

New Zealand

Goods and Services Tax (GST)

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

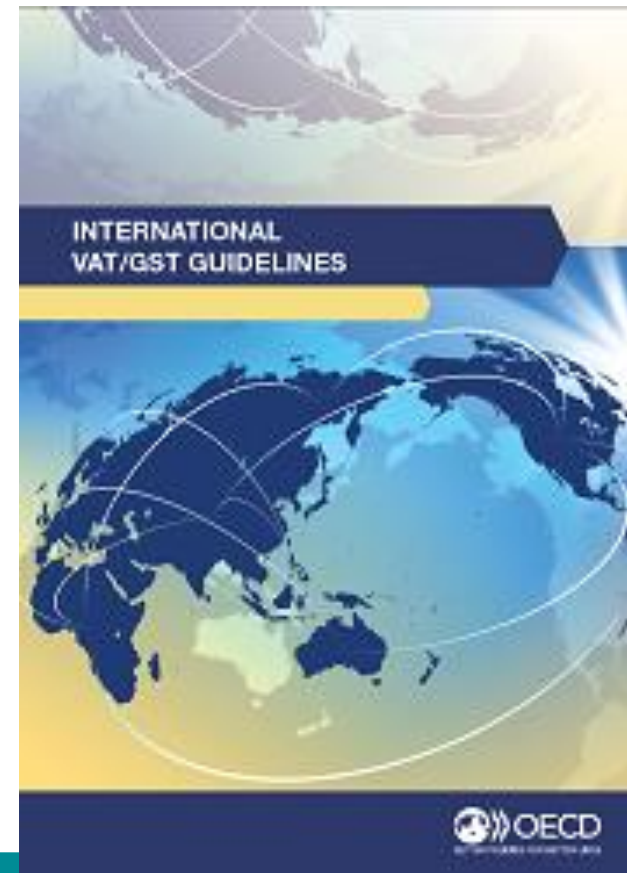
Business-to-Consumer supplies – 15% GST is ultimately collected on the final good or service supplied to a NZ consumer

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

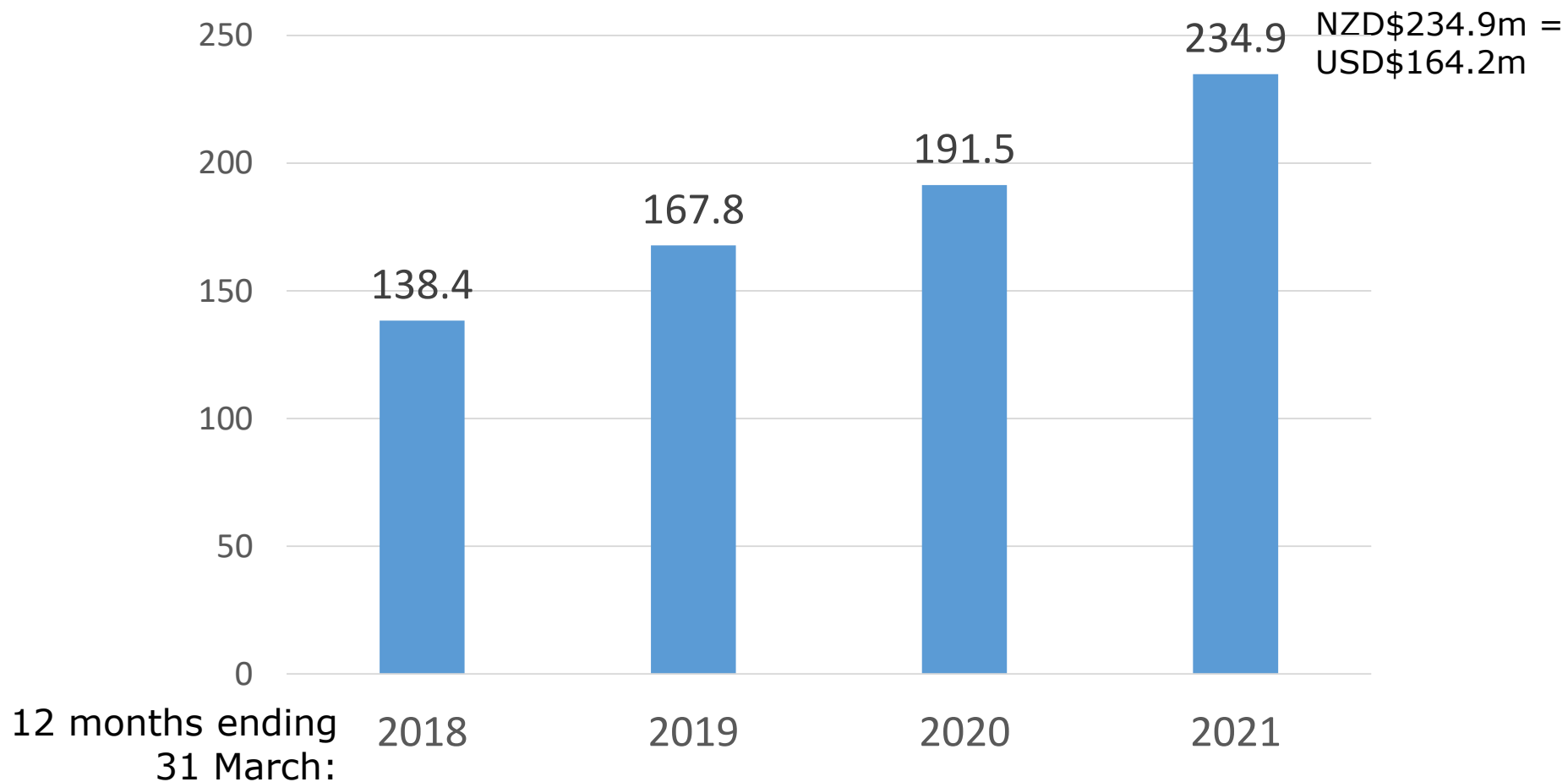
Offshore Supplier Registration

- 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)



Making it easy for offshore suppliers

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

GST collected on remote services

GST revenue collected (NZD \$m)

