CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

DavidCo Limited
CHARTERED ACCOUNTANTS

23 Jervois Road
Ponsonby, Auckland 1011
T +64 9 360 8580
M +64 21 639 710
E arun.david@davidco.co.nz
W www.davidco.co.nz

WEEKLY COMMENT: FRIDAY 17 OCTOBER 2025

1. The *Taxation (Annual Rates for 2019-20, GST offshore Supplier Registration, and Remedial Matters) Act 2019* ("the GST Offshore Supplier Amendment Act 2019"), with a date of assent of 26 June 2019, introduced the GST rules on distantly taxable goods. As these goods may be supplied through an electronic marketplace, it is appropriate to review the rules, following the review of the marketplace rules on listed services.

2. Commencing this week, and over the following 4 weeks, I am reviewing the GST rules relating to distantly taxable goods.

3. The distantly taxable goods rules applied from 1 December 2019 and non-resident suppliers were able to register from 1 September 2019, with registrations taking effect from 1 December 2019.

4. Inland Revenue noted in *Tax Information Bulletin* Vol. 31, No. 8, September 2019 (the "Distantly Taxable Goods TIB Item"), that:

   (a) "Distantly taxable" goods are generally imported goods valued at or below NZ$1,000 (such as books, clothing, cosmetics, shoes, sporting equipment and small electronic items) that are imported from offshore merchants by consumers in NZ;

   (b) Supplies of goods that are already exempt from GST (such as supplies of fine metal), or zero-rated under a specific rule, retain that treatment;

   (c) The rules require non-resident merchants, operators of electronic marketplaces and redeliverers to register and return GST on these supplies if the supplies in aggregate exceed, or are expected to exceed, NZ$60,000 in a 12-month period;

   (d) The New Zealand Customs Service (Customs) continues to collect GST, as well as other duties and cost recovery charges, on consignments with a total value in excess of NZ$1,000;

   (e) The registration form and information about registering for GST are located on the Inland Revenue website **www.ird.govt.nz** (search keywords: non-resident GST);

   (f) For general enquiries, or to apply for the Commissioner of Inland Revenue to exercise various discretions included in the rules, email info.lvg@ird.govt.nz;

   (g) On 1 July 2018 Australia introduced rules requiring offshore suppliers to register and return GST on their supplies of low- value imported goods to Australian consumers, and the NZ rules broadly follow Australia's rules;

(h) These rules do not affect whether a non-resident supplier has a permanent establishment in New Zealand for the purposes of any double tax agreement or for the application of resident used for GST purposes.

5. Non-resident suppliers of distantly taxable goods will be required to register for GST if the total value of supplies in New Zealand exceeds NZ$60,000 in a 12-month period. This is equivalent to the existing registration threshold for resident suppliers, as well as non-resident suppliers of remote services (discussed previously in *Weekly Comment* 15 April and 22 April 2016). Under s 51, non-resident suppliers will be required to register if:

   (a) The total value of their supplies in New Zealand in the past 12 months exceeded NZ$60,000 (unless the Commissioner of Inland Revenue is satisfied that their supplies in the next 12 months will not exceed this threshold); or

   (b) The total value of their supplies in New Zealand in the next 12 months is expected to exceed NZ$60,000.

6. The total value of supplies in New Zealand by a non-resident includes the following:

   (a) The total value of supplies of distantly taxable goods to consumers, including amounts charged for services such as delivery and insurance;

   (b) The total value of supplies to consumers of goods that are located in New Zealand at the time of supply (not including any distantly taxable goods);

   (c) The total value of supplies to consumers of services physically performed in New Zealand; and

   (d) The total value of remote services supplied to consumers (not including any services physically performed in New Zealand).

7. Goods and services supplied by a non-resident to a New Zealand GST-registered business are generally treated as not being supplied in New Zealand (and therefore not subject to GST), and such supplies will not count towards the registration threshold.

8. If a non-resident makes supplies of distantly taxable goods to consumers and their total supplies in New Zealand fall below the NZ$60,000 threshold, they will still be able to voluntarily register for GST.

9. Under s 51(1B), non-resident suppliers may use a "fair and reasonable" method of converting foreign currency amounts to New Zealand currency to determine whether the registration threshold has been exceeded. This includes converting amounts to New Zealand currency as at the time of supply, using the current exchange rate at the time of testing the threshold, or using an average exchange rate over the period. Inland Revenue notes that any of these methods would be regarded as fair and reasonable as long as they were used on a consistent basis (see **paragraphs 21 - 24** below).

Distantly taxable goods

10. Distantly taxable goods are defined in s 4B of the *Goods and Services Tax Act 1985* ("the GST Act") as meaning items of goods that:

    (a) Are moveable personal property, other than choses in action; and

(b) Are not alcoholic beverages, or tobacco or tobacco products, that are exempt from regulations made under s 406(1) of the *Customs and Excise Act 2018*; and

(c) Are supplied by:

(i) A non-resident, and the goods are outside New Zealand at the time of the supply;

(ii) A person who is the supplier under s 60C or s 60D as an operator of a marketplace (to be covered in *Weekly Comment* 31 October 2025, and the "underlying supplier" (see **paragraph 11 onwards** below) of the goods is a non-resident;

(iii) A person who is the supplier of the goods under s 60E as a redeliverer (to be covered in *Weekly Comment* 7 November 2025); and

(d) Are delivered at a place in New Zealand and the supplier or an underlying supplier makes, or arranges, or assists, the delivery; and

(e) Each have:

(i) An estimated customs value under s 10B equal to or less than the entry value threshold (see **paragraph 17 onwards** below);

(ii) A supplier that has made an election under s 10C that is effective at the time of the supply (to be covered in *Weekly Comment* 24 October 2025).

11. An "underlying supplier" is defined in s 2, for a supply of goods or services that is supplied by the operator of a marketplace under s 60C or s 60D (to be covered in *Weekly Comment* 31 October 2025), as meaning the person who would be the supplier of the goods and services in the absence of sections 60C and 60D.

12. Therefore, the "underlying supplier" is the person who would be the supplier of the distantly taxable goods for GST purposes and would be responsible for returning GST on the services in the absence of a specific provision of the GST Act deeming another person (such as the operator of an electronic marketplace) to be the supplier of those services.

13. The definition refers to "goods outside New Zealand at the time of supply". Inland Revenue notes in the Distantly Taxable Goods TIB Item that the time of supply for distantly taxable goods will be determined by the general rule in s 9(1), which sets out that the time of supply is the earlier of any payment being received by the supplier or an invoice being issued by the supplier. In the case of goods purchased online by consumers, this will generally be the same as the time the consumer purchases the goods.

14. However, if either a redeliverer or an operator of a marketplace is treated by section 60C, 60D or 60E as the supplier of the goods, the location of the goods at the time of supply will not be relevant for determining if the goods are distantly taxable goods. Inland Revenue notes that:

(a) This would occur when a non-resident uses an electronic marketplace to sell low-value goods that are already in New Zealand to a customer providing a New Zealand delivery address;

(b) Any goods that are treated by one of those sections as having been supplied by a marketplace operator or a redeliverer will be distantly taxable goods, regardless of where the goods are located at the time of supply;

(c) This is because whether the marketplace operator is treated as the supplier is based solely on the residency status of the merchant, so as to avoid further compliance costs for marketplace operators in determining whether the goods are already in New Zealand or will be shipped from outside New Zealand.

15. Section 4B(2) states that if distantly taxable goods are part of a supply that also includes items of goods that do not meet the requirements of the definition of distantly taxable goods in s 4B(1), the distantly taxable goods are treated as being a supply and the other items are treated as being a separate supply. This means the supply is split into 2 separate supplies:

    (a) A supply of distantly taxable goods, consisting of all the goods that are low-value goods (that is, individually have an estimated customs value of NZ$1,000 or less); and

    (b) A second supply consisting of the remaining goods supplied in the transaction.

16. If the supplier has elected to treat its supplies of high-value goods as distantly taxable (to be covered in *Weekly Comment* 24 October 2025), Inland Revenue notes that s 4B(2) will only split the supply into two separate supplies if:

    (a) Some of the goods are not distantly taxable goods because they are alcoholic beverages, tobacco or tobacco products; or

    (b) Some of the goods are in New Zealand at the time of supply and a non-resident merchant is the supplier for GST purposes.

Estimated value of goods in supply for treatment as distantly taxable goods

17. The "entry value threshold" is defined in s 2 of the GST Act as meaning $1,000.

18. The value of an item of goods is determined under s 10B for the purposes of determining, when a supply of the goods is made and whether the estimated customs value is equal to or less than the entry value threshold, such that the goods are distantly taxable goods. Under s 10B(2), the value of an item of goods is the consideration for the supply of the item reduced by the total amount included in that consideration for:

    (a) The cost of transport and insurance charges:

        (i) For goods that are imported into New Zealand, for the period beginning when the item leaves the country or territory from which the goods are supplied and ending when the item is delivered in New Zealand;

        (ii) For goods that are not imported into New Zealand, for the period beginning when the item leaves its place of origin and ending when the item is delivered in New Zealand;

    (b) The amount of tax that would be chargeable on the supply of the item under s 8(1) if the supply were made by the supplier as a resident and for the same consideration;

    (c) Duty payable on the item under the *Customs and Excise Act 2018*.

19. Section 10B(3) provides that the supplier of an item of goods may use a reasonable estimate of the amount referred to in s 10B(2), based on the information available to the supplier at the time of the supply.

20. Inland Revenue notes that "an item of goods" may be a single good or multiple goods, depending on how the "item" is presented for sale. For example, an item of goods could be one pair of socks or a pack of ten pairs of socks.

Currency conversion

21. To determine whether an item has an estimated customs value of NZ$1,000 or less, currency conversion to New Zealand dollars may be required if the item is sold in a currency other than New Zealand dollars. Inland Revenue notes that currency conversion for this purpose will only be necessary if:

    (a) It is unclear whether an item of goods that is sold in another currency has an estimated customs value exceeding NZ$1,000; and

    (b) The supplier has not elected to treat its high-value goods as distantly taxable goods (to be covered in *Weekly Comment* 24 October 2025).

22. Similarly to listed services and remote services, s 77(2) allows a non-resident supplier of distantly taxable goods to express the consideration for the goods in the currency of the consideration received by the supplier.

23. Section 77(5) states that a supplier of distantly taxable goods who is required to determine under s 10B the value of an item of goods in a supply may, for that purpose, convert foreign currency amounts into New Zealand currency amounts using:

    (a) The spot exchange rate for the foreign currency applying at the time of the supply; or

    (b) A currency conversion method, and a time for which the method is applied for the supply, that are approved by the Commissioner for the purpose.

24. The method approved by the Commissioner is set out on page 35 of the Distantly Taxable Goods TIB Item as follows:

    (a) A supplier may use any one of the following exchange rates:

        (i) The rate published by the NZ Customs Service;

        (ii) The RBNZ rate, or a reference rate published by another central bank (for example, the RBA, federal Reserve and European Central Bank);

        (iii) An exchange rate provided by a foreign exchange organisation (i.e. an organisation that provides exchange rates publicly) or foreign exchange data vendor;

    (b) Other than the requirement that a supplier's chosen exchange rate be used consistently (discussed below), there are no restrictions on the specific type of exchange rate that suppliers may use for converting foreign currency amounts. This means that, when converting foreign currency amounts to establish whether GST applies, suppliers would have a choice of using:

        (i) A sell NZD rate;

        (ii) A buy NZD rate; or

        (iii) A midpoint rate;

(c) The exchange rate must be rate published within 30 calendar days of the conversion time – if a rate other than the most recently published rate is used, the practice for sourcing the rate must be consistent:

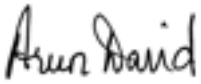
(i) A supplier may adopt a practice of updating their business systems with the particular rate they have chosen from the source date according to a schedule set by them;

(ii) The schedule must be consistent in terms of frequency and time of setting the rate, and the maximum permitted period is 30 calendar days;

(iii) A supplier may only change their exchange rate or their schedule for sourcing and updating the exchange rate in their systems if they have sound commercial reasons for doing so (for example, changing the rate to affect whether goods are distantly taxable goods will not be a sound commercial reason);

(d) Apart from the requirement to be consistent, there are no restrictions on the specific type of exchange rate (sell NZD, buy NZD, or midpoint rate) that suppliers may use for converting foreign currency amounts;

(e) In working out the estimated customs value of goods, suppliers can convert foreign currency to NZD using the formula: (Amount in foreign currency)/(Chosen exchange rate).



Arun David, Director,
DavidCo Limited