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RETAILERS WELCOME GOVERNMENT MOVES ON GST THRESHOLD

Retailers will be pleased by news reports that Revenue Minister Todd McClay is taking a paper to Cabinet this month that will allow New Zealand retailers to compete on a fair basis with foreign websites by substantially reducing the threshold at which GST and duty is levied on imported goods.

“A current loophole in the law means that most goods bought from foreign websites can be imported into New Zealand free of GST and duty if they are worth less than \$400, but this acts as a reverse tariff which penalises Kiwi businesses and makes it harder for New Zealand retailers to compete with multinationals,” Retail NZ’s General Manager for Public Affairs, Greg Harford, said today. “It’s been reported that Revenue Minister Todd McClay is going to Cabinet this month with proposals to deal with this issue, and retailers around New Zealand will be welcoming this news.

“The current loophole is hurting Kiwi businesses and costing Kiwi jobs - but it’s also fundamentally undermining the integrity of the GST system, and depriving the Government of revenue that it needs to provide services for New Zealanders. We estimate that the loophole is costing the Government between \$200-500 million this year - and the revenue hole is getting bigger all the time as Kiwis increasingly shop offshore. In June, there was a 29 per cent increase in spending on foreign websites, so it’s a real problem for the Government as well as retailers, and we are pleased that the issue is being given serious attention.

“New Zealand and Australia have the highest exemption thresholds in the world and we are well out of line with international best practices. The Australian Government recently announced that it would be seeking States’ agreement to reduce the threshold from \$A1,000 to A\$20. If the Australians can do this, there is no reason why the New Zealand Government can’t follow suit,” said Mr Harford.

“Collecting GST in the modern Internet age should be relatively straightforward and cost-effective. Retail NZ and Booksellers NZ have been running the #eFairnessNZ campaign, calling for the Government to require foreign websites to register for GST and collect the tax at the time purchases are made. GST and duty should be collected at the border on all items worth more than \$25 if the foreign website doesn’t register for GST.”

For further information, please contact:

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