

14 September 2023

Economic Development, Science, and Innovation Committee
Parliament Buildings
Wellington

Fair Trading (Gift Card Expiry) Amendment Bill

1. Retail NZ is a membership organisation that represents the views and interests of New Zealand's retail sector. We are the peak body representing retailers across Aotearoa, with our membership accounting for nearly 70 per cent of all domestic retail turnover. New Zealand's retail sector comprises of approximately 27,000 businesses and employs around 220,000 kiwis. We have consulted our membership in the preparation of this submission.
2. Gift cards or vouchers are an accepted part of retail. They make great last-minute presents, especially for those that are difficult to buy for. They are also a way that a retailer can facilitate existing customers recommending a friend and bringing in new business.
3. Retail NZ is supportive of the overall aim of the bill, which ensures that people have sufficient time to redeem the value of gift cards. Retailers want to create a positive shopping experience and this bill would provide certainty for consumers and standardise the treatment of gift cards across the sector.
4. We also note that this bill would bring New Zealand in line with Australia which moved in 2019 to a minimum of three years before gift cards could expire.

Cards supplied by financial institutions should not be excluded

5. We note in section (4)(c) of the bill that prepaid cards issued by financial institutions have been excluded. In our view, the same rationale for regulating retailer-issued gift cards should apply to these cards and they should have the same mandatory expiry date.
6. New Zealand retailers should operate on a level playing field with financial institutions or other digital and international businesses that might offer gift cards, or comparable products, for sale in New Zealand.

Should not apply to loyalty programmes or credit exchanged for goods

7. Retail NZ supports the provision in the bill which excludes any cards or credit issued through loyalty programs. We also support the clause which excludes any credit retailers might exchange for returned purchases. These are not the same as a gift cards, which are purchased, and therefore it is right that they are treated differently.

Treatment of gift cards in accounting

8. Retail NZ surveyed our membership in the preparation of this submission and found that over half of members that sell gift cards have an expiry date of one year from the initial sale date. Retailers report that most gift cards are redeemed within six months of being issued.
9. While gift cards have benefits, extended periods of time between when a card is issued and when it is redeemed can create complexity for retailers. Over half of retailers that sell gift cards report difficulties dealing with the treatment of gift cards in accounting. This is particularly an issue for small and medium sized businesses.

10. For accounting purposes retailers should treat gift card sales as a liability on their balance sheet while the cards are valid and in circulation. Our member survey has shown that many retailers are recording gift cards as a 'sale', meaning that they are taxed at point of sale and that their balance sheets do not carry the liability. The result is that profit might be overstated which also has a tax implication.
11. However, this is not a reason to oppose the bill. Retail NZ sees this legislative change as an opportunity to educate members to ensure they are treating their gift card sales correctly in their accounts.

Transition time

12. Should the bill progress, Retail NZ asks for a transition time of 12 months so that retailers can be informed and prepared

Conclusion

13. Retail NZ has surveyed its membership, and consulted with fellow industry association, Booksellers NZ, in the preparation of this submission.
14. Thank you for the opportunity to make a written submission, Retail NZ would like the opportunity to make an oral submission to the committee.
15. No part of this submission should be withheld under the OIA.

Sincerely,



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