



# Compliance requirements for offshore suppliers in New Zealand

With the increasing global landscape of e-commerce, access to a new consumer base is a rare opportunity for which businesses are trying to gain a competitive advantage. However, cross-border trading involves adherence to financial and tax regulations in whichever country the business intends to trade.

In New Zealand, with effect from 1 October 2016, a new law with respect to the GST implication of cross-border supply of remote services has come into force.

## The new law

GST will apply to cross-border 'remote' services and intangibles supplied by non-resident suppliers to New Zealand-resident consumers. The new law requires a non-resident supplier to register and return GST on these supplies if the value of these supplies exceed, or is expected to exceed, NZD 60,000 over a 12-month period.

GST would not be charged on supplies made to customers that are registered for GST in New Zealand. This means that businesses need to first identify whether their customers are non-GST registered customers and determine the value of supplies which will be made to them in a 12-month period.

## Explanation of 'remote' service

A 'remote' service is where, at the time of the performance of the service, there is no necessary connection between the physical location of the customer and the place where the services are being performed.

Supplies of digital content such as e-books, movies, webinars, online courses, website designing, offshore legal services and consultancy services are some examples of remote services.

## Registration formalities

Once offshore sellers have determined the applicability of GST on their supplies, they need to register for GST with the Inland Revenue Authority of New Zealand.

## Return filing

Offshore sellers will first need to compute their total GST payable/refund by accounting for the total sales and purchases made in New Zealand that were subject to GST. These transactions must be converted into New Zealand dollars for the purpose of filing the return.

The transition period, pursuant to the new regime is from 1 October 2016 to 31 March 2017. During this period, offshore sellers can choose to file their returns either once every two months or once every six months. However, effective 1 April 2017, all non-resident businesses that supply remote services will be required to file returns on a quarterly basis.

If a registered offshore supplier has made no sales in any period, a 'nil' return must be filed.

## The next step

All non-resident businesses that supply remote services must revisit the value of supplies and the nature of customers they supply to. Non-compliance and discrepancies in return filing will lead to penalties being imposed on such businesses.

Countries around the globe have been introducing regimes for e-commerce. Hence, timely compliances of global businesses must be strengthened either by developing robust compliance strategies internally or by approaching compliance professionals and consultants to assist in the application and adherence of such regulations.

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