

30 June 2016

Hon. Michael Woodhouse  
Minister of Revenue

Hon. Nicky Wagner  
Minister of Customs

Hon. Craig Foss  
Minister for Small Business  
Private Bag 18888  
Parliament Buildings  
WELLINGTON 6160

Dear Ministers,

## DE MINIMIS THRESHOLD

As you will be aware, officials have briefed us on upcoming announcements about the de minimis threshold. On behalf of Retail NZ, I am writing to express our deep disappointment at the continued failure of the Government to take any substantive steps to level the taxation playing field for New Zealand retailers, despite multiple opportunities over time.

As you know, the failure of the Government to collect GST and duty on goods below the de minimis level not only costs the Government a substantial amount of revenue each year but places New Zealand retailers at a significant competitive disadvantage against foreign businesses. This affects all New Zealand retailers competing with big international firms like Amazon, but the impact is particularly felt by small businesses, which make up the lifeblood of the economy, particularly in heartland New Zealand.

We are deeply concerned by MBIE's comments in the Cabinet paper suggesting that lowering the de minimis could "lead to a further weakening of already muted competitive disciplines on New Zealand retailers". We absolutely support competition, and we acknowledge the benefits that online competition brings. However, such competition needs to be on the basis of a level playing field. The de minimis is not a lever for competition. It is simply outrageous for officials to suggest that the Government should effectively subsidise competition from offshore by foregoing the collection of taxes. It is true that eliminating the de minimis will increase the end-price of online purchases - but only by the level of taxes, duties and fees that are already factored into domestic prices.

We understand that the Government does not wish to levy taxes where the revenue collected is less than the cost of collection. However, we do not accept that it is necessary to wait and explore alternative collection mechanisms - when a perfectly reasonable solution already exists.

The Government has chosen to legislate to require providers of services and intangibles to register for GST, even if they are based offshore - and we cannot understand your continued refusal to implement the same solution for low value goods. Offshore supplier registration is a low-impact solution that would

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Formerly known as:

The New Zealand Retailers  
Association Incorporated

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fundamentally alter the game for New Zealand retailers, and level the playing field. It would not be a perfect solution, but we do know that, even if only the the top 20 international suppliers became registered for GST, this would ensure tax is collected on at least two-thirds of the volume of goods entering the country - which is two-thirds more than at present. These international businesses already have the technology and systems to collect GST - they just need to be told to switch it on.

As you will be aware, in its recent budget, the Australian Government has announced that it will require offshore supplier registration from 1 July 2017. We therefore ask that you take immediate steps to follow the Australian lead, and to legislate to require offshore supplier registration from 2017. New Zealand businesses really need your support on this, and I look forward to your positive response.

Yours faithfully,



Greg Harford  
General Manager, Public Affairs