

Hon Stuart Nash

Minister of Revenue

Media statement

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Issues paper on GST integrity open for feedback

Inland Revenue has released an issues paper on how to align an aspect of GST with international best practice and principles. Revenue Minister Stuart Nash is encouraging interested parties to make submissions by 28 June.

“New Zealand’s tax rules are held up internationally as a model for a good way to levy and collect a Goods and Services Tax or a Value Added Tax”, Mr Nash says. Ideally a GST or VAT should be broad-based with few exceptions and flexible enough to respond to changing circumstances and business models and commercial practices.

“Our system of GST works because of its simplicity and coherence. But that simplicity requires a lot of ongoing maintenance to keep pace with changes. For example the previous government introduced GST on services purchased online such as music streaming.

“This work is continuing and later this year I will launch public consultation on a range of other important maintenance issues. A current example is the loophole which allows special rules for telecommunications services.

“These are now out of step with the OECD’s guidelines for GST and VAT and for establishing taxing rights. This raises the possibility of a person either being taxed twice or not at all for using global roaming overseas.

“Inland Revenue has therefore released a consultation document which presents details on implementing proposals to align the GST treatment of most telecommunications services with the treatment of other remote services like digital downloads.

“Under the OECD’s best practice guidelines, a consumer’s usual place of residence is used to determine which country has the right to tax the consumption of remote services. This means a remote service should generally be subject to New Zealand GST when it is supplied to a New Zealand-resident consumer.

“The OECD guidelines define remote services as services where it is not necessary for the supplier and the consumer to be in the same place (for example, a digital download). The OECD’s definition of remote services is broad and includes telecommunication services.

“Therefore under these guidelines supplies of telecommunications services for example on international roaming services should be subject to GST when consumed by a New Zealand resident regardless of the consumer’s location. It would ensure services rules are consistent with international best practice such as the United Kingdom and European Union.

“New Zealand has already adopted rules in 2016 consistent with the guidelines for most remote services other than telecommunications services. But the 2016 changes did not make that final step regarding telecommunications services. This proposal would close that loophole and protect the coherence of the system.

“To ensure that our GST rules remain fit for purpose, we need to conduct ongoing maintenance and keep pace with best practice,” Stuart Nash says.