NEW ZEALAND

AUTHORITY GUIDE

THOMSON REUTERS TAX RESEARCH

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Introduction

This guide provides explanation of the recently enacted changes to the New Zealand Goods and Services Tax Act.

From 1 October 2016, GST will apply to cross-border "remote" services and intangibles supplied by non-resident suppliers to New Zealand-resident consumers. The new rules will require non-resident suppliers to register and file GST returns on these supplies.

New rules will apply to a broader range of cross-border remote services. The New Zealand Tax Revenue Authority defined "remote" service as a service where, at the time of the performance of the service, there is no necessary connection between the physical location of the recipient and the place of physical performance.

"Remote" services will not only include software, music and game download, but also insurance, legal and accounting services.

The key point is, the supply of the service by a non-resident who is not physically present in New Zealand. The non-resident supplier will carry the burden of determining the New Zealand residency of the buyer through a billing address, IP address, payment information or phone number location.

New Zealand Revenue Authorities also introduced rules for special non-resident suppliers. One of the rules applies to the concept of a "marketplace" where the burden of GST filing can be transferred to an operator of the marketplace from the original non-resident provider.

PART I – UPDATES TO DETERMINATION

New Zealand

Configuration Update

The authority of New Zealand has been updated to add functionality for cross-border supplies of electronic commerce by foreign businesses.

Authority Options

The following authority option was added effective 1 October 2016 for the authority of New Zealand.

AUTHORITY OPTION	CONDITION	VALUE
CL – Customer Location Reverse Charge	Foreign Transaction	Registration Required

PART II – TAX RESULT EXAMPLE

Test 1: Foreign Electronic Services – Sale (Seller is registered in New Zealand)

The following elements were passed:

Role: Seller

Transaction Type: ES

Seller primary: Germany;   Registration: New Zealand, Germany

Buyer primary: New Zealand;

View Results: 1 ▾	Gross Amount: 100.00		Eff%: 15%						
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: GERMANY	Germany	Not Liable	NL	O		0%	0.00		
Country: NEW ZEALAND	New Zealand	GST	S	O		15%	15.00		
							15.00 USD		

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Test 2: Foreign Electronic Services – Purchase (Seller is registered in New Zealand)

The following elements were passed:

Role: Buyer

Transaction Type: ES

Seller primary: Germany;   Registration: New Zealand, Germany

Buyer primary: New Zealand

View Results: 1 ▾	Gross Amount: 100.00		Eff%: 15%					
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	
Country: NEW ZEALAND	New Zealand	GST	S	I		15%	15.00	
							15.00 USD	

PART III – OPTIONAL CONFIGURATION

The standard tax response on the sale side is to provide a tax response for the selling country and buying country. Below are the B2C and B2B sales responses:

Scenario B2C Standard Sale:

View Results: 1 ▾	Gross Amount: 100.00		Eff%: 15%				
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt
Country: GERMANY	Germany	Not Liable	NL	O		0%	0.00
Country: NEW ZEALAND	New Zealand	GST	S	O		15%	15.00
							15.00 NZD

☐ Authority Messages:

Authority	RuleOrder	Message
Germany	5001	EUSS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112.
New Zealand	10000	GCSCL14: Output GST in Buyer's country.

1- B2C Sale

Scenario B2B Standard Sale:

View Results: 1 ▾	Gross Amount: 100.00		Eff%: 0%				
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt
Country: GERMANY	Germany	Not Liable	NL	O		0%	0.00
Country: NEW ZEALAND	New Zealand	Not Liable	NL	O		0%	0.00
							0.00 NZD

☐ Authority Messages:

Authority	RuleOrder	Message
Germany	5001	EUSS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112.
New Zealand	5001	GCSCL13: No GST liability in Buyer's country.

2 - B2B Sale

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In the case of the B2C sale, if the only tax response desired is a tax response for the buying country then a custom rule can be created in the authority of the selling country, Germany.

The rule and a rule qualifier can remove the selling country tax block. Below are the elements for the rule:

a. Rule order – Customer Specific
b. No Tax – Yes
c. Tax Type – Not Liable
d. Start date – 10/1/2016
e. Calculation Method – Tax on Gross Amount

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Show Rule Qualifiers   **Show Rule Output**

Rule Order:	4999	No Tax: ☑	Related Charge: ☐
Rate Code:	- None - ▾	Exempt: ☐	Allocated Charge: ☐
Tax Type:	Not Liable ▾		
Product Name:		🔍 Clear	
Material List:	- None - ▾	Rate Set: - None - ▾	
Start Date:	10/01/2016 📅		
End Date:	📅		
Calculation Method:	Tax on Gross Amount ▾		

Tax Code:	
Exempt Reason:	
Basis Percent:	
Input Recovery Amount:	
Input Recovery Percent:	100%
Tax Treatment:	- None - ▾
Unit of Measure:	

Invoice Description:	Tax Block Removal B2C NZ Remote Services
Reporting Category:	
Comment:	

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3 - B2C Rule Details Germany

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For the rule qualifier two conditions can be used:

    a. Authority Qualifier
          a. Condition Expression – New Zealand (APPLIED_RATE_CODE) SR
                i. Start Date 10/1/2016
          b. Condition expression – New Zealand (APPLIED_TAX_TYPE) S
                i. Start Date 10/1/2016

Selected Rule: 4999

Back to Rule Details

Selected Rule Qualifier:

Qualifier Type: Rule Condition ▼

Element:

Authority: 🔍 Clear

Operator: - Select One - ▼

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Start Date: 📅

End Dat

Rule Qualifiers 1 - 2 / 2

Type	Condition Expression	Start Date
AUTHORITY	New Zealand (APPLIED_RATE_CODE) SR	10/01/2016
AUTHORITY	New Zealand (APPLIED_TAX_TYPE) S	10/01/2016

4 - B2C Rule Qualifier Details

Scenario B2C Standard Sale:

View Results: 1 ▼   Gross Amount: 100.00   Eff%: 15%

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt
Country: NEW ZEALAND	New Zealand	GST	S	O		15%	15.00
							15.00 NZD

5 - Buying Country Tax Result only

Depending on the nature of your business additional qualifiers can be used such as:

- Company Role

- Transaction Type

- Product Code

In the case of the B2B sale, if the only tax response desired is a tax response for the selling country then a custom rule can be created in the authority of the buying country, New Zealand.

The rule and a rule qualifier can remove the selling country tax block. Below are the elements for the rule:

    a. Rule Order – Customer Specific
    b. No Tax – Yes
    c. Tax Type – Not Liable
    d. Start Date – 10/1/2016

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e. Calculation Method – Tax on Gross Amount

6 - B2B Rule New Zealand

For the rule qualifier one condition can be used:

a. Authority Qualifier
   a. Condition Expression – Germany (APPLIED_TAX_TYPE) NL
      i. Start Date 10/1/2016

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Selected Rule: 4999

Back to Rule Details

Selected Rule Qualifier:

Qualifier Type: Rule Condition ▼
Element: [   ]
Authority: [   ] 🔍 Clear

Operator: - Select One - ▼

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Reference

Start Date: [   ] 📅

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Rule Qualifiers 1 - 1 / 1

Type	Condition Expression	Start Date
AUTHORITY	Germany (APPLIED_TAX_TYPE) NL	10/01/2016

7 - B2B Rule Qualifier Details

Scenario B2B Standard Sale:

View Results: 1 ▼ | Gross Amount: 100.00 | Eff%: 0%

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt
Country: GERMANY	Germany	Not Liable	NL	O		0%	0.00
							0.00 NZD

Authority Messages:

Authority	RuleOrder	Message
Germany	5001	EUSS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112.

8 - B2B Tax Result Selling Country only

Depending on the nature of your business additional qualifiers can be used such as:

- Company Role

- Transaction Type

- Product Code

CONCLUSION

This guide explains changes made in ONESOURCE Indirect Tax Determination in connection with the authority of New Zealand. Please contact Customer Support with any additional questions.

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