

## **GST and e-commerce**

### **Sale of Physical Goods via the Internet**

If a GST-registered person sells goods via the internet and the goods are physically supplied to a customer in New Zealand, GST is chargeable at 15%.

If goods are sold via the internet and physically supplied to customers overseas the sales can be zero-rated for GST purposes. It is important to prove the goods have been exported (entered for export by the supplier) and sufficient evidence should be held to prove the export.

### **Sale of Digital Goods via the Internet**

If a GST-registered person sells digital products via the internet which are downloaded, such as music, software, or digital books, to a New Zealand customer they must charge 15% GST. (These products are treated as services for GST purposes). Note overseas suppliers may be required (under the online remote services rules) to register for and charge NZ GST when providing these services to New Zealand customers.

If digital products are sold via the internet and downloaded by an overseas customer, they can be zero-rated but it is important to prove that the products are 'exported' otherwise GST must be charged.

### **Evidence required to prove products are exported.**

#### **Scenario 1:**

Physical goods are exported overseas by the supplier. The customer is located overseas.

- Delivery evidence, for example, bill of lading showing export by sea, air waybill for export via air, packing list or delivery note showing overseas delivery address, insurance documents.
- Purchase order showing overseas delivery address.

### Scenario 2:

Physical goods are exported overseas by the supplier. The customer is in New Zealand at the time of purchase.

- Delivery evidence, for example, bill of lading showing export by sea, air waybill for export via air, packing list or delivery note showing overseas delivery address, insurance documents.
- Purchase order showing overseas delivery address.

### Scenario 3:

Digital products are downloaded by a customer who is located overseas.

- The customer should make a declaration at the time of the transaction that they are located overseas and that the products will be used outside New Zealand. For example, 'I declare that I am not in New Zealand at this time and will not be making use of this supply in New Zealand' and provide their name and full address.
- Evidence of payment received from overseas customer. Credit card information may be a guide as certain credit card number series may only be issued in New Zealand. However, this process is changing and is not entirely reliable.
- Email address may suggest that the customer is overseas but is not final proof as a New Zealand resident can obtain an overseas email address.
- Internet Protocol (IP) address of the customer - although this is not final proof that the customer is overseas.

Note: In this scenario, as can be seen from the list above, it is unlikely that only one form of information will prove that the customer is overseas. It is expected that a reasonable attempt would be made to confirm the customer is overseas to support zero-rating.

For more information on GST, contact us or refer to the [resources](#) on the Inland Revenue website.