March 2020

Deferred Payment:
New Zealand Experience

Working group on the WTO
Agreement on Trade Facilitation
4 - 5 March 2020
Introduction – Deferred Payment

• Deferred Payment is available to all importers, not just AEO members

• It allows for the pre clearance of goods

• New Zealand recognises the Deferred Payment system is a trade facilitation mechanism that benefits businesses and Government

• New Zealand’s Deferred Payment system goes back to mid 1980s

• Consistent with revised Kyoto Convention standards
Types of Deferred Payment

1) Client Deferred Payment Scheme
   They can:
   - defer paying their Customs charges for up to seven weeks, with a minimum of three weeks and settle a month’s transactions with a single payment which is due by the 20th of the following month

2) Broker Deferred Payment Scheme
   Customs brokers can apply to open a deferred credit account for import entries they have lodged for importers. They can:
   - defer paying the charges for up to 21 days, with a minimum of 7 days and settle a group of transactions with a single direct debit payment
Deferred Payment covers

• Customs duties
• Goods and Services Tax (GST)
• the Heavy Engineering Research Association (HERA) levy
• the Health Promotion Agency (HPA) levy on alcohol
• the Import entry transaction fee (IETF)
• the Ministry for Primary Industries biosecurity levy
Credit Limits/Guarantees requirements

Credit Limits

• In most cases the deferred account is managed through an agreed Credit Limit

• Information requirements differ depending on level of credit limit requested but request has to be signed off by director or owner

Guarantees for client deferred payment and broker deferred payment clients are only required where;

1. The company is not a registered New Zealand Company

2. Trading Trusts require a security

3. If a New Zealand company /organisation has insufficient net equity (as shown in its statement of financial position) we require a security
Legislative provisions on Deferred Payment

- Customs and Excise Act 2018 (which came into force on 1 Oct 2018 amending the 1996 Act)
- Section 100 - duty on imported goods is a debt to the Crown and recoverable by the Crown
- Section 122 - Duty on goods must be paid on importation unless payment is deferred
- Section 123 - Allows the Chief Executive to authorise persons to defer payment
Revenue Statistics

Around 13% of importers utilise deferred payment – but this represents 70% of revenue collected.

In 2018/19:

- 99.5% of Crown revenue is collected electronically (there is also internet banking and direct credit methods of payment).
- 99.1% of Crown revenue is collected by due date.
- Level of bad debt is low ie 0.007% of debt was written off as a percentage of total crown revenue (standard is 0.06%).