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# Deferred Payment: New Zealand Experience

## Working group on the WTO Agreement on Trade Facilitation 4 - 5 March 2020



NEW ZEALAND  
**CUSTOMS SERVICE**  
TE MANA ĀRAI O AOTEAROA

Protecting  
New Zealand's  
Border

# 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%)