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DRAWBACK PROVISIONS

Drawback is the Customs procedure that provides for a refund of duty when goods are re-exported. The drawback provision covers:

- *Goods that were subject to duty on importation and are being re-exported.*
- *Goods for export which have been produced in New Zealand and are subject to excise duty.*
- *Imported parts and materials used in, worked into, or attached to, goods manufactured or produced in New Zealand and then exported.*

Which duties may be refunded under drawback?

Import duty, excise duty and, in limited circumstances, Goods and Services Tax (GST) may be approved for drawback.

What conditions apply to drawbacks of GST?

Drawbacks of GST may be available to persons exporting imported goods in certain circumstances. A drawback of GST may only be claimed where a person meets each of the following conditions:

- (a) The imported goods received are an incorrect supply or not to the specification of goods ordered, or the imported goods are faulty; and
- (b) The recipient is not a person registered for the purposes of the GST Act 1985, or is a registered person but not entitled to make an input tax deduction under section 20(3) of that Act in respect of the imported goods; and
- (c) The person who imported the goods must also export the goods:
 - i) in the case of goods being an incorrect supply or with wrong specifications, within two months after their importation, or such longer period not exceeding 12 months after their importation as may be approved by Customs; or
 - ii) in the case of faulty goods, within 12 months after their importation.

The provision to allow drawback for GST-registered persons is conditional on the goods being of a kind not used in their taxable activity. The rationale for this is that the exporter could not claim the input credit on their GST return for such goods.

What dutiable goods do not qualify for drawback?

Fuel and plant equipment consumed in the manufacture or production of goods produced in New Zealand and exported from New Zealand.

Waste material that is discarded from imported goods or materials used in the manufacture of goods produced in New Zealand and not exported.

Who can claim a drawback of duty?

Any person who can provide evidence as to the amount of duty paid on the goods that they are exporting may make a claim for drawback of duty. There must be a visible audit trail that confirms that duty was paid upon importation and that links this to the Customs import entry on which that duty was collected.

Manufacturers and retailers who regularly import dutiable goods and later re-export those goods are encouraged to liaise with their nearest Customs office and talk to a Client Services officer about lodging periodic drawback entries, for example, on a monthly basis.

Retail sales to overseas visitors

Some overseas Customs administrations provide for overseas visitors to claim a drawback of domestic taxes on certain domestic purchases when they leave their country. There is no legislative provision that allows for this procedure in New Zealand. However, travellers that are internationally ticketed for travel out of New Zealand have the opportunity to purchase goods on a duty-free basis from an inner-city or airport duty free store.

What is the minimum amount of drawback I can claim?

The minimum amount of drawback that can be claimed for commercial goods is NZ\$50. There is no minimum amount for private exporters.

How do I apply for drawback?

Customs require that all applications for drawback be received in an electronic format. Exporters should lodge the standard format export entry, specifying the entry type as drawback, and include the Customs entry number on which duty was paid at the time of importation and the amount of duty claimed. Customs regulations allow for a drawback entry to be lodged not less than six working hours prior to goods being shipped for export.

Will my goods be inspected if I claim a drawback?

Customs frequently call for supporting documentation in respect of drawback entries to verify an exporter's claim for drawback. Verification of the drawback entry is usually confined to a documentation check, but on occasions, a physical inspection of the goods may also be included.

Can I re-import goods into New Zealand that I have exported and claimed a drawback on?

Re-importation of goods shipped for export under drawback is permitted except for certain types of motor vehicles (refer below). Normal duty and GST provisions will apply at the time these goods are imported, just as though they were being imported for the first time.

What special provisions apply to drawbacks on motor vehicles?

On 25 May 1998, the New Zealand Government removed import duty on many types of motor cars and light commercial vehicles. Exporters shipping motor vehicles to a point outside New Zealand that had duty paid on them prior to 25 May 1998, must satisfy Customs that the vehicle being exported will not be subsequently imported within a 12-month period from the date of export.

For further information, contact your nearest office of the New Zealand Customs Service, visit the Customs website www.customs.govt.nz, or call Customs on 0800-428 786 (0800 4 CUSTOMS).