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Paper prepared by: Hon Jenny Salesa, Minister of Customs
Date considered by Cabinet: 4 December 2019
Name of paper: Customs' Proposed New Goods Clearance Fees
Cabinet Reference: DEV-19-MIN-0334
Purpose of the paper: To seek approval to new goods clearance fees for the New Zealand Customs Service.

Some parts of this paper have been redacted under section 9(2)(d) of the Official Information Act 1982. The redactions appear in the text as grey boxes, with an explanation of why the redaction was made.

Supporting material, including the Cost Recovery Impact Statement and the Report of the Summary of Submissions, has also been proactively released and can be accessed here: <https://www.customs.govt.nz/about-us/about-customs/consultation-on-goods-clearance-fees/>.



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Cabinet Economic Development Committee

Minute of Decision

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Customs' Proposed New Goods Clearance Fees

Portfolio Customs

On 4 December 2019, the Cabinet Economic Development Committee (DEV):

Proposed changes to fees

- 1 **noted** that on 24 July 2019, DEV agreed to the release of a discussion document on proposed changes to the New Zealand Customs Service's (Customs) goods clearance fees [DEV-19-MIN-0193];
- 2 **noted** that Customs has reviewed the submissions received, and that based on this feedback and the application of accepted Public Service cost recovery principles, Customs proposes changes to its goods clearance fees and two other fees;
- 3 **agreed** to the changes to Customs' goods clearance fees and two other fees, as set out in Appendix A to the paper under DEV-19-SUB-0334;
- 4 **invited** the Minister of Customs to issue drafting instructions to the Parliamentary Counsel Office to give effect to paragraph 3 above, including by updating the fee levels and including the costs of investigations and seizures;
- 5 **invited** the Minister of Customs to issue drafting instructions to the Parliamentary Counsel Office to clarify the clearance requirements outlined in the paper under DEV-19-SUB-0334, including by ensuring that the goods cost recovery fees are collected at the appropriate points in the clearance process;
- 6 **authorised** the Minister of Customs to approve any minor and technical changes as the drafting is progressed;
- 7 **noted** that the discussion document referred to in paragraph 1 above stated that two of the proposed fees did not fully recover costs;
- 8 **noted** that Customs will review the fees in two years when the full impact of changes will be known;
- 9 **noted** that in response to submissions received, Customs will set up a stakeholder group as a broad engagement forum that can be used to support importers and exporters;

Draw down of Budget 2019 contingency

- 10 **noted** that on 24 September 2018, Cabinet agreed that GST would be collected via an offshore supplier registration system on imported goods valued at or below \$1,000, and that Customs would no longer collect the Import Entry Transaction Fee on all goods valued at \$1,000 or less [CAB-18-MIN-0466.01];
- 11 **noted** that on 15 April 2019, as part of its Budget 2019 decisions, Cabinet established a tagged operating contingency to provide for *Funding to Continue Protecting New Zealand from Imported Threats*, pending the completion of Customs' Goods Cost Recovery Review [CAB-19-MIN-0174.10];
- 12 **noted** that on 12 June 2019, DEV agreed to a 1 December 2019 implementation date for the GST on low-value imported goods policy, reducing the 2019/20 amount in the above tagged contingency by \$2.336 million to \$6.886 million [DEV-19-MIN-0153], resulting as a tagged contingency as follows:

	\$m – increase/(decrease)			
	2019/20	2020/21	2021/22	2022/23 & Outyears
Funding to Continue Protecting New Zealand from Imported Threats	6.886	13.038	13.780	14.564

- 13 **agreed** that, as the conditions have now been met with the work described in paragraph 11 above having been completed, the funding from the above tagged contingency now be released (rephased as necessary to reflect Customs' actual costs);
- 14 **approved** the following changes to appropriations to give effect to the policy decision in paragraph 3 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)			
	2019/20	2020/21	2021/22	2022/23 & Outyears
Vote Customs Minister of Customs				
Departmental Output Expense: Clearance and Enforcement Services Related to Goods (funded by revenue Crown)	8.805	12.127	12.772	14.564
Total Operating	8.805	12.127	12.772	14.564

- 15 **agreed** that the change to appropriations for 2019/20 above be included in 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 16 **agreed** that the expenses incurred under paragraph 14 above be charged against the *Funding to Continue Protecting New Zealand from Imported Threats* tagged operating contingency described in paragraphs 11-12 above;
- 17 **agreed** that, in the event the review referred to in paragraph 8 above leads to either full cost recovery or a move towards full cost recovery for the two fees in paragraph 7 above, the commensurate reduction in revenue Crown requirement be reflected in the next available baseline update;

18 **noted** that Customs will establish, with approval of the Minister of Finance and the Minister of Customs, a memorandum account to cover the fully cost recovered goods clearance activities;

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Janine Harvey
Committee Secretary

Present:

- Rt Hon Winston Peters
- Hon Kelvin Davis
- Hon Grant Robertson (Chair)
- Hon Phil Twyford
- Hon David Parker
- Hon Nanaia Mahuta
- Hon Jenny Salesa
- Hon Kris Faafoi
- Hon Shane Jones
- Hon Willie Jackson
- Hon James Shaw
- Hon Eugenie Sage

Officials present from:

- Office of the Prime Minister
- Officials Committee for DEV

Hard-copy distribution:

Minister of Customs

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