HD New Zealand: Trade regulations

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Trade policy: Overview

New Zealand's economy is highly dependent on foreign trade. The free-on-**board** value of exported goods, including re-exports, dropped to NZ$45.7bn in 2013, down by 2.1% from NZ$46.7bn in 2012. New Zealand's largest export markets are Australia, followed by **China**, the US and Japan. The cost-insurance-freight value of imported goods fell to NZ$46.5bn in 2013, down by 2.2% from NZ$47.5bn in 2012, according to Statistics New Zealand. The main sources of imports in 2013 were **China**, Australia, the US and Japan.

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The trade balance (which includes services) had a surplus of NZ$2.4bn for 2013, a recovery from the NZ$99m deficit of 2012 and in line with the surpluses of NZ$2.9bn in 2009, NZ$3.0bn in 2010 and NZ$2.8bn in 2011. By order of trade value, dairy products, meat, and logs and wood articles were the top three exports in 2013. Mechanical machinery, petroleum, and vehicles were the top three imports.

Trade policy: Tariffs and import taxes

About 95% of imports are duty free. Virtually all items subject to tariffs may not be altered without an official trade-pact renegotiation (under the terms agreed with the World Trade Organisation's predecessor, the General Agreement on Tariffs and Trade), and more than half of all import categories carry no duties. New Zealand's tariff rates have declined significantly since the 1980s. The highest tariffs are now 10% (for some textiles); this contrasts with the 200% tariff protection that some industries enjoyed in 1984. Industrial tariffs are now typically well below 10% for goods where tariffs still apply-less than one-third their level in 1988. New Zealand also operates a tariff-concession system that allows duty-free entry when it can be shown that suitable alternative goods are not made locally.

Tariff cuts were implemented in the 1990s, but rates were frozen in 1999, pending a review. Prior to the freeze, tariffs on textiles, footwear and clothing were to be phased out by July 1st 2006. Although the post-2005 tariff review, released in 2003, recommended removing all remaining tariffs, the government opted to streamline remaining tariffs into three tariff bands by July 1st 2006 (namely, 5-7.5%, 10-12.5% and 17-19%) and two bands by July 1st 2009 (5% and 10%). The imports attracting the higher 10% rate are primarily clothing, footwear and carpets, but the rate also applies to some types of motor vehicles, such as motor homes and ambulances. The lower rate applies to several items, including some plastics and rubber, some chemicals, some pharmaceutical products and some meat products. A commitment under the Asia-Pacific Economic Co-operation forum to remove all import tariffs by 2010 was not met. The National Party-led government announced in October 2009 that the tariffs would remain at 5-10% until 2015 at the earliest.

With few exceptions, imports are subject to a goods and service tax (GST) of 15% (up from 12.5% before October 1st 2010), payable at the time of entry. The government introduced an import-**transaction** fee in December 2002 on every **commercial** import that has a duty and/or GST liability of more than NZ$50, to cover the costs of goods clearance. The New Zealand Customs Service is responsible for collecting import entry **transaction** fees, which apply at the rate of NZ$46.89 (including GST) in 2014 (including a NZ$17.63 biosecurity risk-screening levy). The import-**transaction** fee does not apply on the following: noncommercial imports valued up to NZ$1,000; unaccompanied baggage; some household goods; and temporary imports (that is, goods that will be re-exported within 12 months). However, jewellery, clothing and electrical appliances imported from abroad have incurred a NZ$24.75 import-**transaction** fee since July 2010.

There are excise duties on petroleum products and alcohol. Although these duties also apply to goods produced domestically, some producers of foreign-made liquor believe the calculation basis discriminates against them.

In October 2012 the government introduced a substantial increase in tobacco excise taxes, which will rise by 10% (plus inflation adjustment) every January 1st of each year until 2016. The first increase occurred in January 2013. Excise tax per thousand cigarettes increased from NZ$442.10 in 2012 to NZ$490.11 in 2013, and to NZ$545.39 in 2014.

The amount of duty payable depends on the following three criteria:

Import classification. New Zealand uses the Harmonised System of Tariff Classification, basing its tariff on the Customs Co-operation Council Nomenclature (Brussels). New Zealand fully integrated the World Customs Organisation's Harmonised Commodity Description and Coding System into its tariff-classification scheme in January 1996, as the New Zealand Harmonised System Classification (NZHSC). The NZHSC was substantially revised in January 2002 to reflect changes by the World Customs Organisation to the Harmonised Commodity Description and Coding System.

Value. Most duty rates are ad valorem, based on the **transaction** value of the imported goods under the GATT Customs Valuation Code.

Country of origin. Imports from Australia and Singapore are duty free (under the Australia-New Zealand Closer Economic Agreement of 1983 and the New Zealand-Singapore Closer Economic Partnership of 2001). Imports from Canada, some developing countries, Malaysia and the 16 countries of the Pacific **Island** Forum attract preferential duty rates. Tariffs will be phased out and eliminated under the Trans-Pacific Strategic Economic Partnership (Brunei, Chile and Singapore) by 2015, under the **China**-New Zealand Free-Trade Agreement (FTA) by 2016, under the Malaysia-New Zealand FTA by 2016 and under the Association of South-East Asian Nations-Australia-New Zealand FTA (for the remaining South-East Asian nations excluding Malaysia) by 2020. For a more comprehensive discussion on international trade agreements, see International agreements above, or the website of the New Zealand Ministry of Foreign Affairs and Trade (http://mfat.govt.nz).

Trade policy: Import restrictions

Under the Generalised System of Preferences, which applies to imports from the more developed of the developing countries, duty is set at 80% of the standard rate. All imports from the least-developed developing countries (as designated by the UN) became duty free on July 1st 2001. More than 97% of these imports already entered New Zealand duty free.

There are no import restrictions and no barriers to import (such as import licensing) on any purely trade-related grounds. Restrictions are generally for safety or public health or to comply with international obligations. Food Standards Australia New Zealand, which replaced the Australia New Zealand Food Standards Authority in December 2002, continues the policy of setting food standards jointly with Australia. Under the Trans-Tasman Mutual Recognition Arrangement negotiated in 1996, New Zealand recognises most other Australian standards (and vice versa). The major exception is for therapeutic goods.

New Zealand has antidumping regulations governed by the Dumping and Countervailing Duties Act 1988. Essentially, it provides for fair levels of competition by counteracting the damaging effects on local producers from the "dumping" of subsidised or excess goods on the New Zealand market. Antidumping action was removed from trans-Tasman trade in 1990.

New Zealand also has strict health, content, safety and origin-labelling rules for imported and domestically produced goods, and there are stringent animal- and plant-health requirements. Some hazardous and toxic substances and products of gene technology need approval from the Environmental Risk Management Authority under the Hazardous Substances and New Organisms Act 1996, but this requirement also applies to domestically produced substances and technology. New Zealand implements most international commitments on phasing out ozone-depleting substances ahead of the dates required under its international obligations. Import of irradiated foods is not allowed. For a full list of prohibited imports, see the New Zealand Customs Office website (http://www.customs.govt.nz).

Foreign suppliers in particular should note the country's restrictions on packaging materials. Many materials that are often used for packing foods (wood packing, used jute and hessian sacking, hay, straw, rice husks and generally all materials that might be contaminated by soil or animals) are restricted in order to guard against the spread of disease or pestilence.

Parliament passed the Copyright (Parallel Importation of Films and Onus of Proof) Amendment Bill in October 2003. It bans the import of films, videos and DVDs without the permission of the local copyright holder or authorised distributor for nine months from a title's first international release. The amended act complements criminal-offence measures on counterfeiting and piracy in the New Zealand Trade Marks Act, implemented in August 2003.

Trade policy: Taxes on exports

There are no taxes on exports in New Zealand.

Trade policy: Free ports, zones

There are no free ports or zones in New Zealand.

Trade policy: Export restrictions

Some exports require a permit or notification to the appropriate regulatory authority. These include many live animals, much fresh fruit, wool, fish and fish meal, greenstone (New Zealand jade), some dangerous and toxic substances, some weapons and explosives, and copper and copper-based metals to destinations other than Australia. Other products also require permits: hazardous wastes; chemicals that may be used in the manufacture of chemical and biological weapons; controlled, radioactive materials; ozone-depleting substances; strategic computer equipment; aircraft; antiquities; cash amounts exceeding NZ$10,000; some wood products; and grains, seed and potatoes.

Exports covered by UN sanctions are restricted or prohibited, and intoxicating liquor may not be exported to the Cook Islands or Niue, both nearby dependencies in the South Pacific. Particular local-content rules apply for duty-free access to the Australian market; generally, a product must have 50% local content. For a full list of exports that require a permit, see the New Zealand Customs Office website (http://www.customs.govt.nz).

Trade policy: Export insurance and credit

The government-run New Zealand Export Credit Office (NZECO) began operating in 2001 to provide export-credit guarantees for existing companies with growth potential. Previously, there were no government guarantees to exporters against losses resulting from political and other noncommercial risks. The scheme extends the capacity of existing private-sector providers. There are several companies in the field, but the most active is Norwich Insurance.

NZECO helps well-established medium-sized and large exporters expand into markets considered too risky to attempt on their own. Applicants must be producers of goods and/or services and must be based in New Zealand. The government's maximum liability under the scheme is NZ$740m.

NZECO provides export-credit insurance to exporters and banks against the risk of nonpayment under an export contract arising from defined political or **commercial** risks. The maximum level of **commercial**-risk and political-risk insurance cover provided by NZECO in April 2014 was 95% of the value of the **transaction**. The application fee is 0.1% of the guarantee amount applied for, but the minimum fee is NZ$2,000 and the maximum is NZ$40,000. Application fees of NZ$15,000 and more earn a rebate against the premium.

The key criterion for approving a medium- or long-term credit is that at least 30% of the total export value must be produced in New Zealand. Maximum credit terms are 5-10 years.

New Zealand Trade and Enterprise provides information to exporters on export credit, NZECO and its operations.

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