

TradeWatch

EY Global Trade

Issue 3 2024



The better the question.
The better the answer.
The better the world works.



Shape the future
with confidence

Insights

Insights

Asia-Pacific

Australia: Advantages of a unique
license-free defense environment

1

China: Recent customs updates

4

Japan: Interim report on the revision of
export control regulations

5

Korea: Overview of customs law changes
for 2025

8

New Zealand: Customs' compensatory
interest regime

10

Australia: Advantages of a unique license-free defense environment

In September 2021, leaders from Australia, the United Kingdom (UK) and the United States (US) announced the creation of the AUKUS trilateral defense and security partnership.¹ Through AUKUS, Australia will acquire conventionally armed nuclear-powered submarines and fast-track the delivery of leading-edge capabilities into the hands of Australian defense forces more efficiently. This partnership is intended to protect shared values while promoting security within the Indo-Pacific region.

The decision to enter AUKUS can be contextualized in a rapidly evolving geopolitical environment that impacts Australia's defenses and security interests. Under AUKUS, the Australian Government has enacted significant changes to its Defence Trade Controls Act 2012, with changes to how controlled technologies, information and services are traded between AUKUS partners coming into effect on 1 September 2024.² These reforms have specifically come through the Defence Trade Controls Amendment Act 2024 and the Defence Trade Legislation Amendment Regulations 2024 to strengthen Australia's existing defense export control framework while creating new controls and exemptions.

These are significant reforms and mark a substantial step toward defense industry alignment between the three nations. By creating a license-free environment for certain sensitive technologies, each country is expected to benefit from streamlined trade of controlled goods to maintain and drive a



trilateral defense capability edge. They also introduce unique deemed exports provisions that restrict the movement of certain goods to non-approved nationals within Australia.

These changes are designed to emulate the trade controls present in the US and its International Traffic in Arms Regulations (ITAR) and its systems. The UK has also made similar changes that came into effect on 1 September 2024. Comparatively, the impact on the US is minimal and predominantly includes export exemptions for ITAR-controlled items being exported to AUKUS partners.

While these reforms effectively grant Australia and the UK with a privileged status only seen by Canada within the US defense industry, they also bring a period of high-risk change to business impacted by the implications of its significant reforms.

What businesses need to know

While streamlining trade between the three nations, these changes also raise questions for businesses involved in advanced technologies and information that appear on a now expanded controlled goods lists in Australia and the UK.

¹ "Joint media statement: Australia to pursue nuclear-powered submarines through new trilateral enhanced security partnership," *Defence Ministers website*, 16 September 2021. [Find it here](#).

² "Landmark legislation to bolster national security and remove red tape for Australian industry," *Defence Ministers website*, 27 March 2024. [Find it here](#).

With new requirements and criminal charges for mishandling of these goods, certain businesses outside of the defense industry are newly captured by this regime and its dual-use definitions. For example, businesses may now be required to comply with the regime if they are involved in the advanced manufacturing of biotechnology, battery technology, and other technology not generally (or solely) associated with defense.

With a focus on the Australian context, businesses need to be aware of several factors:

License-free environment for AUKUS partners: The amendments create a license-free environment for most military and dual-use goods and technology items exported, re-exported, or transferred between Australia, the UK and the US.

Expanded defense strategic goods list (DSGL): The DSGL has been updated to include new items that reflect the evolving nature of defense technologies, particular under its dual-use provisions.³ This means that businesses may be newly captured.

Deemed exports provisions: The new legislation establishes offenses for the deemed export, re-export, and deemed re-export of DSGL goods and technologies without a relevant permit. This means that businesses must now obtain permits for the transfer of controlled goods and technologies where the transfer occurs within Australia and involves foreign nationals working in Australia. This includes specialists working on those goods as well as support staff, who may inadvertently have access to the controlled goods or technology. This may include administrative or cleaning personnel.

New criminal offenses: The legislation introduces three new criminal offenses related to the supply of DSGL technology to non-exempt foreign persons within Australia, the supply of previously exported DSGL goods and technology, and the provision of DSGL services to foreign nationals outside of Australia.

Further information on these and other elements of the new regime can be found on the Australian Defence Exports portal.⁴

Action for businesses to ensure compliance

To avoid noncompliance and the potential of committing serious criminal offenses, businesses should take proactive steps to assess their exposure to this new environment. While Australia has provided a grace period for the implementation of the license-free environment reforms, they are now in effect. Businesses need to be across the detail of these changes and need to be proactive to ensure they are fully compliant. Otherwise, they risk extensive repercussions that could potentially harm their reputation, operations, market share, and access to controlled technology.

Key actions that we have seen business take so far include:

Reviewing the DGSL and assessing exposure: The first step for any business has been to assess whether they will fall under the new regime. This includes a thorough review of their goods against the expanded DGSL, with a particular focus on the dual-use list. Businesses are also auditing the location of controlled technologies (down to the specific room within a facility) and understanding which personnel have access.

Reviewing current controls: Proactive businesses have already reviewed compliance programs to identify gaps with the new requirements. This includes reviewing appropriateness of personnel receiving access, the security of locations holding controlled technologies, and understanding the need to obtain the necessary permits for the transfer of controlled goods and technologies.

Uplifting current controls: Where gaps are identified, business have been implementing strategies to ensure compliance. This may include new training programs, removing certain personnel's access to certain locations, and applying for the necessary permits and/or exemptions for non-approved nationals.

Engaging with legal and trade experts: Businesses are consulting with legal and trade experts to understand the full implications of the reforms and to receive guidance on compliance strategies. This has been particularly important for businesses newly captured by defense controls and who have little experience with its landscape.

Ongoing monitoring: To ensure ongoing compliance, businesses can implement an internal monitoring function or seek external support to oversee access

3 "Defence and Strategic Goods List," *Defence website*. [Find it here](#).

4 "My Australian Defence Exports portal, *Defence website*. [Find it here](#).

controls, permit timelines and other aspects of adherence to the regime. Given the rapidly changing trade landscape, businesses are also seeking external monitoring support. This may include subscribing to broad legislative monitoring services provided by third parties and bespoke solutions that monitor requirements for a specific business's goods profile in relevant markets.

Next steps for AUKUS

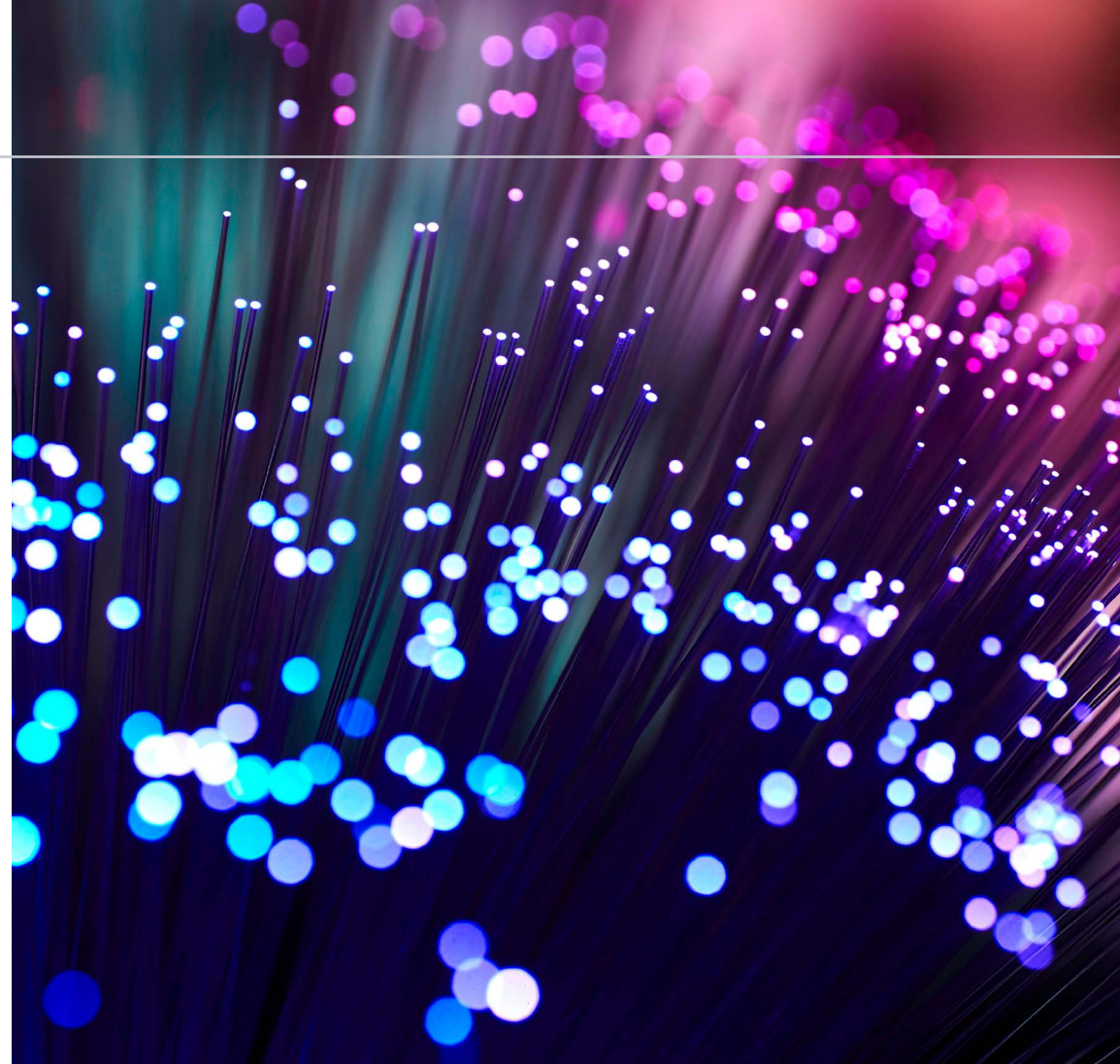
More broadly, the new license-free environment starts to bring to life the defense “free-trade zone” previously promised under previous agreements. This includes the bilateral 2007 Defence Trade Cooperation Treaties and 2017 expansion of the US National Technology and Industrial Base to include Australia and the UK. As a reference point, it also provides valuable insight into how the three countries are moving to align and harmonize under AUKUS.

AUKUS has also shown signs that it may expand to include additional like-minded partners. This includes Japan, which is currently involved on a project-by-project basis. Other additional partners may include Canada, New Zealand and South Korea.

As outlined in our article [United States: Election outcome – potential impact on global trade](#) the recent US presidential election results precipitate significant likely shifts in the geopolitical and global trade environment. Given that AUKUS was entered into under the Biden Administration and the significant differences in the Republican trade platform, the re-election of President Trump may impact the progress and specific trajectory of the trilateral security partnership. However, the first Trump Administration supported the US National Technology and Industrial Base in 2017, so the agreement is likely to be sustained.⁵

Given the evolving and dynamic trade environment, it is vital that businesses have the appropriate strategies in place to ensure they are prepared for reforms under AUKUS and other policy initiatives. Doing so can be achieved through internal capability, but more and more businesses are turning to external support as the global regulatory landscape evolves. ■

⁵ Joint Statement on Australia-U.S. Ministerial Consultations (AUSMIN) 2019, *United States Department of State website*, 5 August 2019. [Find it here](#)



For additional information, please contact:

Luke Branson | + 61392888369 | luke.branson@au.ey.com

Kylie Norman | + 61 2 9248 4765 | kylie.norman@au.ey.com

Simon Whyte | + 61 8 9217 1348 | simon.a.whyte@au.ey.com

Nicola Rowan | + 61292769570 | nicola.rowan@au.ey.com

Xavier Healy | + 61385756176 | xavier.healy@au.ey.com

China: Recent customs updates

The 15th exclusion extension list announced of goods subject to tariff imposition by the United States (US)

The Tariff Commission of the State Council decided to extend the exclusion period for Goods Subject to Additional Tariffs on the United States for relevant commodities. The exclusions were due to expire on 31 July 2024. From 1 August 2024 to 28 February 2025, the goods listed in the Appendix will continue to be exempt from the tariffs imposed for the anti-US 301 measures.

¹ Announcement No. 25 of 2015.

Anti-dumping measures extended for imported optical fiber preforms originating in Japan and the US

Anti-dumping measures have applied in China since 2015 to imported optical fiber preforms originating in Japan and the US.¹ An optical fiber preform is a quartz glass rod that has a specific refractive index profile and is used for manufacturing optical fibers. Manufactured optical fibers are used for optical signal transmission of various optical cable structures.

The Ministry of Commerce reviewed these measures and has now ruled that if the anti-dumping measures are terminated, the dumping of imported optical fiber preforms may continue or recur, damaging China's optical fiber preform industry.

The Ministry of Commerce therefore made a proposal to the Tariff Commission of the State Council to continue these measures. As a result, the Tariff Commission of the State has decided to continue to impose anti-dumping duties on imported optical fiber preforms originating in Japan and the United States, effective from 11 July 2024 for a period of five years.

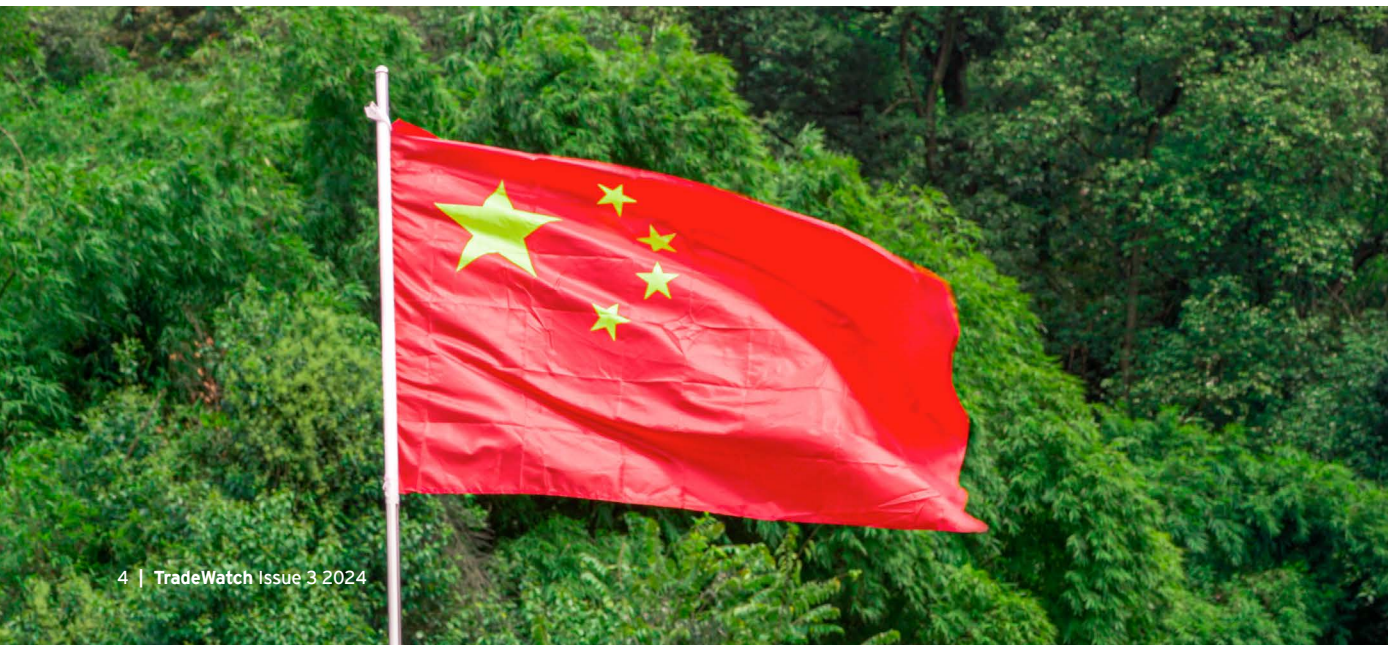
The scope of the products subject to the extended anti-dumping duty measures is the same as for the original anti-dumping measures introduced in 2015, i.e., the product is classified in the Import and Export Tariff of the People's Republic of China under 70022010 (except that the diameter of imported products under this tariff number is less than 60mm). ■

For additional information, please contact:

Andrea Yeu
+ 86 139 1126 3973 | andrea.yue@cn.ey.com

Kevin Zhou
+ 86 21 2228 2178 | kevin.zhou@cn.ey.com

Freda F Li
+ 86 10 5815 4335 | freda-f.li@cn.ey.com



Japan: Interim report on the revision of export control regulations

Japan is undergoing a revision of its export control regulations. As a result, export controls are likely to expand to cover a wider range of items than before. This change may mean that exporters who have not previously dealt with the export controls and verification procedures required for sensitive goods and technologies may now be required to do so.

The Interim Report

On 24 April 2024, the Subcommittee on Security Export Control Policy under the Trade Committee (the Subcommittee) of the Industrial Structure Council, established by the Ministry of Economy, Trade and Industry (METI), issued an interim report (the Interim Report), outlining potential revisions to the Cabinet Orders and the Ordinance of the Foreign Exchange and Foreign Trade Act (FEFTA). These revisions were discussed in response to changes in the international security environment. A draft of the revised Cabinet Orders, based on the changes discussed in the Interim Report, will be available for a public consultation period, which will widely invite opinions on the draft before its implementation. While the Subcommittee has not specified a timeline for implementing these revisions, it is expected that most of these changes will enter into force.

Summary of the Interim Report

The Wassenaar Arrangement (WA),^{1,2} established on 12 July 1996, in the post-Cold War era, is a widely accepted framework for export controls today. The WA controls the trade in common sensitive items among its participating countries, rather than targeting specific countries with unique restrictions.

The Interim Report, however, emphasizes that this traditional framework has reached a turning point, necessitating more effective security export controls and the pursuit of new approaches for items that are not currently on the list. It indicates that substantial revisions to Japan's current export control policy are needed, in response to changes in the international security environment, such as those listed below:

- **Emerging risk of military conversion of strategic materials:** National entities that handle strategic materials may acquire dual-use technologies that are not considered to be advanced, but they may further develop them domestically, and subsequently may convert them for military use.
- **Military conversion of general goods:** Among dual-use technologies, there is a high risk of military conversion for general goods and technologies,



¹ The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies is a [multilateral export control regime](#) that covers both conventional weapons and sensitive dual-use goods and technologies. *WA-DOC-15-SEC-001-Basic-Documents-2015-January.pdf*. [Find it here](#).

² The Participating States of the Wassenaar Arrangement are: Argentina, Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Romania, Russian Federation, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Türkiye, Ukraine, United Kingdom and United States. [About us – The Wassenaar Arrangement](#).

rather than just for those items that are regulated by the current provisions. The fact that even widely available items can be converted for military use exposes the inadequacy of current export controls that depend solely on an item's technological capabilities, instead of including end-use and end-user requirements.

- **Proliferation of sensitive technologies among non-WA countries:** Non-WA countries possess sensitive technologies, which has led to an increase in the spread of these technologies beyond the WA framework. As this proliferation poses a risk of sparking regional conflicts, it is deemed essential to control the non-WA countries' sensitive technologies.
- **Proactive cooperation between exporters and authorities:** A risk of military conversion is no longer confined to specific entities that possess sensitive technologies; it has expanded to affect a wider range of exporters. Exporters must now be aware of potential reputational risks that may arise from their technologies being used for military purposes. To address these challenges, it is imperative for exporters to work closely with the regulatory authorities.

The Interim Report has specifically proposed the following policy revisions to address these issues:

Reinforcement of current complementary export controls

- Strengthen catch-all controls (CA Controls), which is a complementary export control for conventional weapons for general countries except for Group A countries as defined by the United States Export Administration Regulations (US EAR).³
- Prevent circumvention via Group A countries.

Development of a dialogue scheme for proactive information sharing between government and private sector

- Implement a mandatory reporting system for technologies and activities with a high risk of technology leakage.
- Establish a public-private dialogue framework to facilitate information sharing.
- Monitor technologies over a long period, even after the transaction, to prevent military conversion.

International cooperation for effective export control

- Flexibly add items to the control list, including those not yet unanimously agreed upon by all WA countries, for regulation among allied nations.
- Proactively cooperate with countries possessing sensitive technologies, that may pose high security risks.
- Coordinate the operational rules for export controls among WA countries.
- Strengthen cooperation with non-WA countries.

Rationalization and simplification of operations

- Allow application of a special bulk license for specific parts used in manufacturing semiconductors, and for machine tools destined for India and Association of Southeast Asian Nations⁴ (ASEAN).
- Simplify the procedures for applying for licenses for defense equipment and the goods for civil purposes stipulated under the Appended Table 1-1 of the Export Control Order.⁵
- Conduct on-site inspections focusing on specific topics such as internal export control systems, sensitive technologies in possession, and actual export records.

³ Group A countries are not subject to the current complementary approach to the CA. [Find it here.](#)

⁴ ASEAN jurisdictions are [Brunei](#), [Cambodia](#), [Indonesia](#), [Laos](#), [Malaysia](#), [Myanmar](#), [Philippines](#), [Singapore](#), [Thailand](#) and [Vietnam](#).

⁵ Export Trade Control Order – English – Japanese Law Translation. [Find it here.](#)

Enhance transparency for both domestic and international stakeholders

Among these proposed revisions, strengthening the CA Controls is expected to significantly increase the compliance burden on exporters, since this change would mandate that exporters verify the end-use and end-user requirements for certain items even when exporting to non-restricted countries. Currently, under the FEFTA, an export license is not required when exporting to non-restricted countries (unless specifically directed by the METI). In implementing this change, the regulations will likely be imposed selectively on high-risk transactions, with consideration given to the potential increase in compliance burden for exporters.

- Items subject to CA Controls will be limited to the following:
 - Items with high security risks such as technologies involving precision-guided munitions and military command systems
 - Items for which exporters can verify end-uses and end-users such as products developed jointly with end-users, products manufactured upon request from end-users, and equipment requiring installation and maintenance by exporters in the destination country
- The government will provide information about affected end-users to exporters when they conduct end-user verification.
- The government will provide criteria of how to identify transactions with a high security risk. The guidance provided by the US Bureau of Industry and Security on how to determine “Red Flags”⁶ that violate the US EAR will be referred to when creating the criteria.
- Simplification of procedures for obtaining licenses for specific countries, including non-WA countries, will be under consideration.

Next steps

The Interim Report highlights that Japan’s current non-proliferation export control policy is inadequate and calls for the adoption of new measures to improve its effectiveness. Control lists based on specifications of goods and technologies are no longer adequate to address the expanding risk of military conversion of dual-use technologies. This, therefore, requires a substantial shift toward regulating exports based on end-uses and end-users that pose a security concern for Japan.

With export controls expanding to require verification for a wider range of items, even exporters that have not previously engaged with sensitive goods and technologies may be required to conduct export control verifications. Consequently, companies must establish internal management systems and procedures to comply with new regulations.

Moreover, despite the government’s support in sharing information on the affected end-users through the dialogue scheme, companies are still tasked with improving their due diligence on the buyers and end-users of their products. Identifying an affected end-user often involves sifting through a vast amount of company information relevant to its business, which can be challenging to manage. Therefore, it is prudent for companies to consider adopting specialized IT tools or engaging outsourcing services to undertake these tasks.

The Interim Report outlines a policy aimed at fostering cooperation with non-WA countries, with Singapore, Malaysia and the Philippines specifically named. However, it is also conceivable that these countries may strengthen their export control regulations. For companies with bases in the ASEAN region, establishing internal management systems and procedures to comply with the new regulations may present a new challenge. ■

For additional information, please contact:

Kojiro Fukui | + 81 90 8146 9216 | kojiro.fukui@jp.ey.com

⁶ [Find it here.](#)

Korea: Overview of customs law changes for 2025

A number of revision bills for the customs law have been proposed in Korea – some have been passed by the national assembly, while others still need to be deliberated by the national assembly. This article provides an overview of customs law changes in South Korea that will come into force from 1 January 2025.

Anti-circumvention dumping measure (AC measure)

Korea has put a legal framework in place for investigating circumvention dumping. The measure was passed by the national assembly and is set out in Article 56.2 of the Korea Customs Act, Articles 71.2 through 71.11 of the Enforcement Decree and Article 20.2-20.4 of Enforcement Rules.

Circumvention dumping refers to a practice, process or work whereby an exporter subject to an anti-dumping duty (AD) or importer liable to pay the duty attempts to avoid that duty. The AC measure has been discussed at a global level but has not been introduced into the World Trade Organization (WTO) rules because agreement was not reached among member countries over what constitutes circumvention dumping. With no global, multilateral provisions under the WTO, members have adopted and implemented individual AC measures in their jurisdictions.

Korea now plans to introduce AC measures. Under the Korea Customs Act, circumvention dumping is defined as the action of “*evading the imposition of anti-dumping duties by means of acts prescribed by the Presidential Decree, such as minor alteration to the physical characteristics or form of the goods subject to anti-dumping duties.*” Where this kind of action is identified and confirmed through an investigation undertaken by the Korea Trade Commission, anti-circumvention duties will be imposed on the subject goods. To determine whether there has been a “minor alteration,” which points to slight or insignificant modification that does not change the essential characteristics of the goods, due consideration needs to be given to elements such as the physical characteristics, chemical composition, Harmonized System (HS) code, use of the goods, production facilities, and the costs incurred for alteration.

It remains to be seen how the AC measure will work once it is introduced in Korea in 2025. The measure may prove challenging in its operation amid an ever-complicated global value chain, given that the boundary may become more blurred between what is referred to as circumvention dumping and what is referred to as outsourcing and offshoring as strategies for optimal supply chain management.

Other revisions related to Customs Law

- **Increased penalties for misdeclaration or non-declaration of value**

Where an importer incorrectly declares the value of the imported goods that constitutes willful misconduct under the Korea Customs Act and the Free Trade Agreement (FTA) implementation Act, penalties of 60% of the underpayment will be imposed (up from the current rate of 40%). Where non-declaration constitutes an offense of smuggled importation under the Korea Customs Act, penalties of 60% will be imposed on the amount of customs duties (up from 40% currently). These penalties apply to transactions declared from 1 January 2025.

- **Customs clearance platform dedicated to e-commerce**

The exponential increase in e-commerce volumes seen in recent years means that streamlined customs clearance is needed more than ever. From 1 January 2026 (after one year of system build-up), e-commerce stakeholders, e.g., vendors and intermediaries (both domestic and overseas) and delivery service providers, who are registered with Customs, will be eligible for expedited clearance for three years. If requested by Customs, they must provide information, such as the purchase date and price, from the time of order or payment for delivery before the time of importation, which will be used for simplified declarations and for the goods selected for inspection.

- **Advance ruling for origin**

An advance ruling for origin serves as the basis for granting preferential treatment under an FTA. Currently, the application for advance ruling for origin is possible only when an advance ruling is prescribed under the FTA and is available only to a narrow scope of items, such as the price, origin and relief. From 1 January 2025, the limit will be removed so that advance rulings can cover a wider scope of items, to ensure the advance ruling program will work better for importers.

Actions for business

The new provisions and changes to the customs laws for 2025 shed light on a balanced approach being taken by the Korean authorities to the customs goals of trade compliance and trade facilitation. Companies operating in Korea are well-advised to keep track of these changes. Doing so will help traders to enhance compliance and to reduce costs and risks in relation to importing goods into Korea. ■

For additional information, please contact:

Dongo Park

+ 82 10 4843 2730 | dongo.park@kr.ey.com

Jin-kyung Yun

+ 82 10 8546 1060 | jin-kyung.yun@kr.ey.com

New Zealand: Customs' compensatory interest regime

New Zealand Customs (Customs) is using compensatory interest (interest) to enforce compliance for importers of goods into New Zealand and increase revenue collection.

Although the regime was introduced in 2018 “to compensate the Crown for loss of use of money when duty is not paid in full and on time,”¹ Customs is increasingly charging importers the full rate of interest at 10.91%. In addition, interest is being charged on import Goods and Services Tax (GST) even in cases where the import GST is recoverable by the importer as input tax from Inland

Revenue. Therefore, the imposition of interest may be seen as punitive in nature for many importers and not just a compensatory mechanism.

Importers need to be aware of the potential significant financial impact of interest, particularly in relation to post-importation adjustments, such as royalties and license fees, transfer pricing adjustments, and commissions or rebates.

Background

Compensatory interest replaced the previous additional duty regime. The previous system did not differentiate between compensation to the Crown for the loss of use of money and penalties for noncompliance. Additionally, the prior scheme's use of compounding rates was criticized for creating debts that could become disproportionately high relative to the offense, especially when accumulated over extended periods of time.²

Current regime

The current interest regime is a daily charge (but not compounding) in relation to duty not paid in full and on time. It is imposed on importers in relation to the following charges when the amount owed is NZ\$1,000 or higher:

- Import duty
- Import GST (GST on imports is defined as a duty)
- Excise duty
- Excise-equivalent duty

1 “Compensatory interest,” *New Zealand Customs Service website*, 2 July 2024. [Find it here.](#)

2 “Regulatory Impact Statement: Customs and Excise Act Review: Sanctions for incorrect payments – detailed design of a new regime,” *New Zealand Treasury website*, 8 February 2017. [Find it here.](#)



- Petroleum or Engine Fuel Monitoring Levy
- Synthetic Greenhouse Gas Levy
- Anti-dumping and countervailing duties

The compensatory interest rate is currently set at 10.91%, which aligns with Inland Revenue's interest rate. The rate is determined by the latest Reserve Bank of New Zealand floating first mortgage rate plus 250 basis points.³ A reduced rate of 5.63% is available where parties voluntarily disclose an error and can demonstrate that it was inadvertent.⁴

In addition to a reduced rate of interest, other differences between Customs and Inland Revenue concern grounds for remission, the lack of application to late payment penalties and restrictions on compensatory interest for overpayments. Customs is only obliged to pay compensatory interest on overpayments if the overpayment can be attributed to an error on the part of Customs.⁵

Purpose of the interest regime

The New Zealand Customs Service Regulatory Impact Statement (RIS) on the introduction of a compensatory interest rate regime states that the core objectives of the scheme are to:⁶

- Maximize core duty collected
- Minimize financial disadvantage to the Crown from underpaid duty
- Minimize administrative costs for government
- Remove unnecessary compliance costs for duty payers through consistency with Inland Revenue in the treatment of revenue owed to the Crown

The RIS also specifically explains that "compensatory interest is not a penalty."

³ Taxation (Use of Money Interest Rates Setting Process) Regulations 1997, s 2.

⁴ "Compensatory interest," *New Zealand Customs Service website*, 2 July 2024. [Find it here](#).

⁵ "Compensatory interest and late payment penalties," *New Zealand Customs Service website*, 10 August 2022. [Find it here](#).

⁶ "Regulatory Impact Statement: Customs and Excise Act Review: Sanctions for incorrect payments – detailed design of a new regime," *New Zealand Treasury website*, 8 February 2017. [Find it here](#).



However, the statement further explains that simply setting the charging rate at the “disadvantaged party’s cost of the loss of use of money” would not achieve the objective of maximizing core duty collected. Officials made clear that a rate lower than commercial lending rates available to the duty payer may incentivize deferred payment of duty as a “cheaper alternative to getting a commercial loan, making the Crown an involuntary lender.”

With these considerations, officials determined that Inland Revenue’s floating first mortgage rate plus 250 basis points was the rate to be applied. The rate is now 10.91%.

Impact of high interest rates and the issue concerning import GST

The current approach by Customs can be viewed as punitive, particularly when compared to Inland Revenue. For example, tax pooling through tax intermediaries in New Zealand was introduced to counter the “punitive aspect of” interest for tax purposes.⁷ Tax pooling has the practical effect of lowering an interest bill for a taxpayer for tax purposes. There is no equivalent of tax pooling for interest imposed by Customs. In addition, taxpayers can receive a 50% discount to certain tax shortfall penalties imposed by Inland Revenue for previous good behavior, whereas there is no statutory relief for previous behavior in relation to administrative penalties imposed by Customs.

In addition to the above, Customs imposes interest on import GST regardless of the fact that importers can claim back the GST from Inland Revenue as input tax where the imports relate to the importer’s taxable activity.

According to a paper issued by the Office of the Minister of Customs on submissions to the Customs and Excise Bill 2018,⁸ Customs collected \$8.065 million of import GST, and it was estimated that over 90%⁹ of this amount is refunded by Inland Revenue to GST-registered importers.

Therefore, it could appear anomalous that the interest regime for import taxes will allow Customs to impose interest in cases where there is ultimately no revenue at stake for the Crown.

Historically, this has led to industry participants and advisors calling for reform for the administration of import GST between Customs and Inland Revenue.

It was recommended by the Cabinet Economic Growth and Infrastructure Committee that Customs and Inland Revenue be directed to report back to the Cabinet on a streamlined approach that will allow commercial, GST-registered importers to offset their GST liability to Customs against their GST assessment with Inland Revenue. However, to date there have been no significant developments in this area.

Key points for importers

As a result of the potentially significant financial impact of the interest regime, importers should ensure the following:

- Import GST is taken into account concerning the impact of interest imposed by Customs.
- Keep errors to a minimum, particularly for post-importation adjustments.
- Undertake regular compliance reviews.
- Disclose errors promptly to reduce the interest period.
- Identify overpayments of duty to reduce any shortfalls.
- Where qualifying criteria are met, ensure the lower interest rate is applied (e.g., for inadvertent errors). ■

⁷ “Impact Summary: Tax pooling to purchase backdated tax,” *New Zealand Treasury website*. [Find it here](#).

⁸ “Departmental Report on the Customs and Excise Bill 2016,” *New Zealand Parliament website*, 27 March 2017. [Find it here](#).

⁹ “Customs and Excise Act Review Paper 5: Increasing efficiency and flexibility in the import and revenue collection system,” *New Zealand Customs Service website*, 2015. [Find it here](#).

For additional information, please contact:

Paul Smith | + 64 274 899 866 | paul.smith@nz.ey.com

Leatitia Nightingale | + 64 272 092 495 | leatitia.nightingale@nz.ey.com



Tax alerts

Tax alerts

Americas

Argentina

- Argentina eliminates payments on account of Impuesto PAIS for imports of goods (04 December 2024)
- Argentina reduces payment term for imports (21 October 2024)
- Argentina reduces Impuesto PAIS tax rate (03 September 2024)
- Argentina implements withholding-tax exemption for electronic payments (27 August 2024)

Brazil

- Brazil moves major VAT reform bill to Senate for consideration (05 August 2024)

Canada

- Canada Border Services Agency initiates anti-circumvention investigation into dumping/subsidizing of certain container chassis from China (04 December 2024)
- Canadian International Trade Tribunal continues its finding on corrosion-resistant flat-rolled steel sheet products from China (04 December 2024)

- United States President-elect discusses tariffs on Canada and Mexico, and additional tariffs on China (27 November 2024)
- Canadian International Trade Tribunal issues finding on pea protein imports from People's Republic of China (25 November 2024)
- Canada begins to levy surtaxes on Chinese steel and aluminum imports and announces remission order process (31 October 2024)
- Canada imposes surtaxes on imports of Chinese EVs, steel and aluminum products, considers surtaxes on critical manufacturing goods (19 September 2024)
- Canada Border Services Agency announces transition period and new process for certain customs adjustments (22 August 2024)
- Canada Department of Finance releases draft legislation for 2024 budget and other measures (21 August 2024)

Colombia

- Colombian 2024 Tax reform bill submitted to Congress, would affect corporate and capital gains rates, among others (13 September 2024)
- Colombia prohibits coal exports to Israel (26 August 2024)

El Salvador

- Salvadoran Congress approves tax amnesty program (09 September 2024)

Global

- Trade Talking Points – latest insights from EY's Trade Strategy team (November 2024) (04 December 2024)
- G20 meeting highlights continued support for BEPS 2.0 and international tax cooperation (31 October 2024)
- Digital services tax jurisdiction activity summary now available (as at 25 September 2024) (02 October 2024)
- Trade Talking Points – latest insights from EY's Trade Strategy team (September 2024) (23 September 2024)
- Trade Talking Points – latest insights from EY's Trade Strategy team (August 2024) (13 August 2024)
- G20 Finance Ministers affirm commitment to BEPS 2.0 and enhanced global tax cooperation (02 August 2024)

Mexico

- United States President-elect discusses tariffs on Canada and Mexico, and additional tariffs on China (27 November 2024)

Peru

- Peru enacts 1% Excise Tax on online gaming and online sports betting (24 September 2024)
- Peru enacts Special Installment Payment regime for tax debts due by 31 December 2023 (20 September 2024)

United States

- United States President-elect discusses tariffs on Canada and Mexico, and additional tariffs on China (27 November 2024)
- United States election outcome – potential impact on global trade (06 November 2024)
- US White House publishes Fact Sheet outlining proposed changes to de minimis shipments exemption (19 September 2024)
- USTR publishes final Notice of modification of actions on impacted Chinese origin products subject to increase in additional Section 301 tariffs and applicable exclusions (17 September 2024)

Asia-Pacific

China

- United States President-elect discusses tariffs on Canada and Mexico, and additional tariffs on China
(27 November 2024)
- Canadian International Trade Tribunal issues finding on pea protein imports from People's Republic of China
(25 November 2024)
- Reform decisions from Third Plenary Session seek to modernize China's tax system
(07 August 2024)

Global

- Trade Talking Points – latest insights from EY's Trade Strategy team (November 2024)
(04 December 2024)
- G20 meeting highlights continued support for BEPS 2.0 and international tax cooperation
(31 October 2024)
- Digital services tax jurisdiction activity summary now available (as at 25 September 2024)
(02 October 2024)
- Trade Talking Points – latest insights from EY's Trade Strategy team (September 2024)
(23 September 2024)
- Trade Talking Points – latest insights from EY's Trade Strategy team (August 2024)
(13 August 2024)
- G20 Finance Ministers affirm commitment to BEPS 2.0 and enhanced global tax cooperation
(02 August 2024)

New Zealand

- Initial Digital Platform Information reporting due in early 2025
(14 November 2024)

Europe, Middle East, India and Africa

Denmark

- Danish Government plans to introduce a new agriculture CO2 tax (06 August 2024)
- Danish Parliament introduces CO2 tax on fuels and CO2-emission tax on industry from 2025 (06 August 2024)

EU

- European Court of Justice holds relocating production won't enable company to escape additional duties unless relocation is economically justified (03 December 2024)
- EU Council adopts trade, import and export ban on products made using forced labor (21 November 2024)
- EU details on VAT in the Digital Age (ViDA) package (07 November 2024)
- EU CBAM – new consultations on authorizing CBAM Declarants and establishing a CBAM Registry (06 November 2024)
- EU has finally reached agreement on VAT in the digital age (ViDA) proposal (05 November 2024)

- EU Court of Justice rules on deemed supply for EV charging (29 October 2024)
- EU Deforestation Regulation; Insights into 12-month delay and recent updates (09 October 2024)

France

- Latest information on electronic invoicing reform (17 October 2024)

Germany

- Germany finalizes e-invoicing administrative guidance (22 October 2024)

Global

- Trade Talking Points – latest insights from EY's Trade Strategy team (November 2024) (04 December 2024)
- G20 meeting highlights continued support for BEPS 2.0 and international tax cooperation (31 October 2024)
- Digital services tax jurisdiction activity summary now available (as at 25 September 2024) (02 October 2024)
- Trade Talking Points – latest insights from EY's Trade Strategy team (September 2024) (23 September 2024)

- Trade Talking Points – latest insights from EY's Trade Strategy team (August 2024) (13 August 2024)
- G20 Finance Ministers affirm commitment to BEPS 2.0 and enhanced global tax cooperation (02 August 2024)

Kenya

- Supreme Court declares the Finance Act 2023 constitutional (01 November 2024)
- Kenya Tax Appeals Tribunal rules on excise duty relief for packaging preforms (24 September 2024)

Latvia

- Latvia to require business-to-government e-invoicing as of 1 January 2025 (18 November 2024)

Poland

- Poland releases draft amendments to e-invoicing rules (08 November 2024)
- Poland presents framework for National e-Invoicing System (05 November 2024)

Saudi Arabia

- Saudi Arabia announces 18th wave of Phase 2 e-invoicing integration (03 December 2024)

- Saudi Arabia announces 17th wave of Phase 2 e-invoicing integration (04 November 2024)
- Saudi Arabia announces 16th wave of Phase 2 e-invoicing integration (30 September 2024)
- Saudi Arabia announces new fee rules on customs services (10 September 2024)
- Saudi Arabia announces 15th wave of Phase 2 e-invoicing integration (03 September 2024)
- Saudi Arabia announces 14th wave of Phase 2 e-invoicing integration (05 August 2024)

Slovakia

- Slovakia introduces tax on sweetened nonalcoholic beverages (20 September 2024)

South Africa

- South Africa publishes amendments to customs duties on lead-acid batteries (13 August 2024)

Spain

- Spain approves invoicing software specifications for taxpayers not using electronic VAT system (19 November 2024)

Turkiye

- Turkiye reduces allowed value limits on and increases duties applicable to B2C e-commerce shipments (07 August 2024)

Uganda

- Uganda issues Tax Amendment Acts for 2024 (18 September 2024)

United Arab Emirates

- UAE formally announces introduction of e-invoicing, launches e-invoicing portal and amends VAT Law provisions (06 November 2024)
- Dubai Customs announces implementation of the updated customs declaration (17 October 2024)

United Kingdom

- UK to publish e-invoicing consultation in early 2025 (05 November 2024)
- UK Government responds to consultation on introducing UK CBAM (31 October 2024)
- UK Autumn Budget delivers significant tax increases but seeks to plan for the future (31 October 2024)
- UK to launch a consultation on e-invoicing (23 September 2024)

Additional resources



Global trade on ey.com

While indirect tax is a part of everyday life in most countries, the rise of new technologies and expanding global trade adds additional layers of complexity. Learn what EY can do for you, connect with us or read our latest thinking.

[Find out more](#)



EY Green Tax Tracker

Keep pace with sustainability incentives, carbon regimes and environmental taxes.

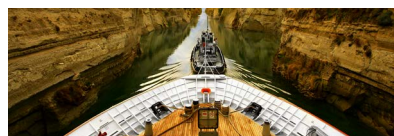
[Find out more](#)



Global Tax News Update

With the global EY organization's Tax News Update: Global Edition (GTNU) subscription service, you'll enjoy access to updates that are distributed each day by the EY Tax practice. Choose the topical updates you want to receive across all areas of tax (corporate, indirect, and personal), the jurisdictions you are interested in, and on a schedule that's right for you.

[Find out more](#)



TradeFlash

Our *TradeFlash* newsletter provides a roundup of the latest developments in global trade around the world.

[Find out more](#)



Worldwide VAT, GST and Sales Tax Guide 2024

Outlining value-added tax (VAT) systems in 150 jurisdictions, the 2024 edition of our annual reference book, *Worldwide VAT, GST and Sales Tax Guide*, is now available in an interactive map format (as well as to download as a pdf).

[Find out more](#)

Subscribe to receive future editions of *TradeWatch*

[Click here](#)

Additional resources

Contacts

Global

Trade knowledge team



Jeroen Scholten
EY Global Trade
Practice Leader



Richard Albert
Ernst & Young
GmbH, Germany
Global Trade
Partner



Lynlee Brown
Ernst & Young, LLP
Global Trade
Partner



Ian Craig
Ernst & Young
Assessoria
Empresarial Ltda,
Brazil Global Trade
Partner



Sergio Fontenelle
Ernst & Young, LLP
Global Trade
Leader



Michael Leightman
Ernst & Young, LLP
Global Trade
Partner



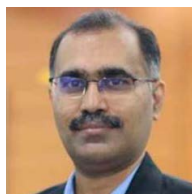
Shenshen Lin
Ernst & Young LLP
UK, Global Trade
Partner



Sharon Martin
Ernst & Young, LLP
Global Trade
Partner



Rocío Mejía
Mancera, S.C.,
Mexico
Global Trade
Leader



Suresh Nair
Ernst & Young, LLP
Global Trade
Partner



Yoichi Ohira
Ernst & Young
Tax Co Japan,
Indirect Tax
Leader



Carolina Palma
Ernst & Young
S.A. Costa Rica,
Global Trade
Leader



Wayne Peron
EY Latin America,
Global Trade
Leader



George Riddle
Ernst & Young
LLP UK,
Director of Trade
Policy & Strategy



Martijn Schippers
Ernst & Young
Belastingadviseurs
LLP, Netherlands,
Indirect Taxation
and Global
Trade



Paul Smith
EY Oceania,
Global Trade
Leader

Contacts

Global Trade contacts by jurisdiction

Americas			Asia-Pacific	
Argentina	The Caribbean	United States	Australia	Korea (South)
Sergio Stepanenko ▶ + 54 11 4318 1648	Rose Boevé ▶ + 599 0 430 5076	Jay Bezek ▶ + 1 704 331 1975	Luke Branson ▶ + 61 3 9288 8369	Dongo Park ▶ + 82 23 787 4337
Brazil	Colombia	Lynlee Brown ▶ + 1 858 535 7357	Kylie Norman ▶ + 61 2 9248 4765	Malaysia
Ian Craig ▶ + 55 21 32637362	Nicole Velasquez Amaya ▶ + 57 1 4847036	Sergio Fontenelle ▶ + 1 212 466 9780	China Mainland	Jalbir Singh Riar ▶ + 60 3749 58329
Fernando Fagiani ▶ + 55 11 2573 6913	Costa Rica	Nathan Gollaher ▶ + 1 312 879 2055	Lynette Dong ▶ + 86 21 2228 4107	New Zealand
Cesar Finotti ▶ + 55 11 2573 6465	Carolina Palma ▶ + 506 2459 9727	Michael Heldebrand ▶ + 1 408 947 6820	Yao Lu ▶ + 86 139 1015 1448	Paul Smith ▶ + 64 9 348 8409
Gabriel Martins ▶ + 55 21 3263 7201	Mexico	Michael Leightman ▶ + 1 713 750 1335	Bryan Tang ▶ + 86 21 2228 2294	Phillipines
Waine Peron ▶ + 55 11 2573 3559	Karla Cardenas ▶ + 52 664 681 7844	Sharon Martin ▶ + 1 312 879 4837	Hong Li Wang ▶ + 86 10 5815 2307	Lucil Vicerra ▶ + 63 288 948 115
Canada	Roberto Chapa ▶ + 52 818 152 1853	Michael Leightman ▶ + 1 713 750 1335	Dong Xu ▶ + 86 21 2228 3216	Singapore
Helen Byon ▶ +1 613 598 0418	Rocio Mejia ▶ + 52 555 283 8672	Bryan Schillinger ▶ + 1 713 750 5209	Tina GY Zhang ▶ + 86 10 58152197	Donald Thomson ▶ + 65 6309 8636
Kristian Kot ▶ + 1 2502 948384	Jorge Nasif ▶ + 52 551 101 7327	Prentice Wells ▶ + 1 408 947 5438	Hong Kong	Taiwan
Sylvain Golsse ▶ + 1 4169 325165	Peru	Shane Williams ▶ + 1 713 751 5715	Tina Robb ▶ + 852 31894435	Vivian Wu ▶ + 886 2 2728 8833
	Giancarlo Riva ▶ + 51 1411 4448		Japan	Thailand
			Yumi Haraoka ▶ + 81 3 3506 2110	William Chea ▶ + 662 264 9090
			Yoichi Ohira ▶ + 81 3 3506 2110	Vietnam
				Anh Tuan Thach ▶ + 84 28 3629 7366

Global Trade contacts by jurisdiction continued

Europe, Middle East, India and Africa				
Albania, Bulgaria, Kosovo and North Macedonia	Germany	Ireland	Poland	United Kingdom
Milen Raikov ▶ + 359 2 8177 155	Richard J Albert ▶ + 49 211 9352 17756	Ciarán Behan ▶ + 353 1 2211445	Slawomir Czajka ▶ + 48 71 711 88 93	Onelia Angelosanto ▶ + 44 161 234 0508
Austria	Robert Boehm ▶ + 49 211 9352 10529	Colin Doolin ▶ + 353 1 2212949	Spain	Marc Bunch ▶ + 44 20 7980 0298
Theresa Arlt ▶ + 43 1 211 70 1102	Nadin Nottekämper ▶ + 49 211 9352 26138	Italy	Pedro Gonzalez-Gaggero ▶ + 34 954 665 246	Penelope Isbecque ▶ + 44 113 298 2447
Belgium	Frank-Peter Ziegler ▶ + 49 6196 996 14649	Alessandra Di Salvo ▶ + 39 335 7361484	South Africa/rest of Africa	Gerard Koevoets ▶ + 44 20 7951 6496
Antoine De Donder ▶ + 32 2 749 36 90	Greece	Kenya/rest of Africa	Redge de Swardt ▶ + 27 21 443 0637	Shenshen Lin ▶ + 44 20 7951 2063
Erwin De Vos ▶ + 32 2 774 93 75	Nicoleta Merkouri ▶ + 30 697 3773203	Hadijah Nannyomo ▶ + 254 20 2886000	Sweden	George Riddell ▶ + 44 20 7951 9741
Jef d'Hollander ▶ + 32 4 851 58 852	Hungary	Middle East and North Africa	Zoran Dimoski ▶ + 46 8 52059260	
Christina Horckmans ▶ + 32 2 774 93 22	Attila Fulop ▶ + 36 30 559 1364	Ramy Rass ▶ + 971 4 7010900	Switzerland	
Philippe Lesage ▶ + 32 2 774 92 69	Aron Nagy ▶ + 36 1 451 8636	Netherlands	Ashish Sinha ▶ + 41 58 286 5906	
Kristof Verbist ▶ + 32 2 774 90 86	India	Caspar Jansen ▶ + 31 88 407 1441	Turkey	
Keshia Wagner ▶ + 33 6 61 08 49 83	Ruchi Bhat ▶ + 91 98 6044 1874	Bastiaan Kats ▶ + 31 88 40 73806	Sercan Bahadir ▶ + 90 212 408 53 41	
Denmark	Preetham Chennaveerappa Narasim ▶ + 91 98 8012 0381	Martijn Schippers ▶ + 31 88 407 9160	Yakup Gunes ▶ + 90 212 408 58 38	
Anne-Mette Høiriis ▶ + 45 51582559	Sourabh Jain ▶ + 91 98 1800 9094	Jeroen Scholten ▶ + 31 88 407 1009	Sedat Tasdemir ▶ + 90 212 408 52 57	
France	Suresh Nair ▶ + 91 98 9275 7475	Norway		
Marguerite Trzaska ▶ + 33 1 46 93 84 32	Agneshwar Sen ▶ + 91 98 11167838	Øystein Arff Gulseth ▶ + 47 982 06 387		
		Narve Løvø ▶ + 47 982 06 238		

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

TradeWatch is a regular newsletter prepared by EY Global Trade groups. For additional information, please contact your local Global Trade professional.

About EY Global Trade practices

EY teams bring you a global perspective on Global Trade. The Global Trade EY professionals can help you develop strategies to manage your costs, speed your supply chain and reduce the risks of global trade. They can help to increase trade compliance, improve import and export operations, reduce customs and excise duties and enhance supply chain security. They help you to address the challenges of doing business in today's global environment to help your business achieve its potential. It's how EY teams makes a difference.

The views of third parties set out in this publication are not necessarily the views of the global EY organization or its member firms. Moreover, they should be seen in the context of the time they were made.

© 2024 EYGM Limited.
All Rights Reserved.

EYG no. 010584-24Gbl
ED None

UKC-035939.indd 12/24.
Artwork by [Creative UK](#).

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com

