



Australian
Retailers
Association

Senator ???????
Parliament House
CANBERRA ACT 2600
Email: ???

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APPLYING GST TO LOW VALUE GOODS IMPORTED BY CONSUMER LEGISLATION NEEDS YOUR SUPPORT

A leading group of industry associations, representing the views of the Australian retail sector and its supply chain, strongly supports the direction outlined in the Exposure Draft of the *Treasury Laws Amendment (2017 Measures no. 1)*

These Associations have been the lead organisations working with the Federal and State Governments to reduce the low value threshold and provide a level playing field for Australian retailers.

The changes in the *Treasury Laws Amendment (2017 Measures no. 1)* bill will ensure overseas retailers charge Australian consumers GST at point-of-purchase and remit that GST back to the Australian Tax Office, in the same way every Australian retailer does.

We look forward to working with respective departments and agencies to get this initiative across the line. This reform is a longtime coming and **retailers across the country will look very poorly on any delay** of its implementation by the 1 July 2017 commencement date.

We are very pleased both the Government and Opposition have expressed their own strong support for the changes.

Several Associations in the group provided a submission to the Treasury Department's *Consultation into applying GST to low value goods imported by consumers* at the end of 2016. We support the direction outlined in the Exposure Draft of the *Treasury Laws Amendment (2017 Measures no. 1) Bill 2017*.

We agree that "...the fact that neither the supply nor the importation of such low value goods is subject to GST represents a significant risk to the integrity of the GST system. It also places Australian based suppliers at a growing competitive disadvantage."



We jointly reviewed the proposed amendments and have no particular concerns with the proposed changes as the objectives of the Bill – and the Government's policy intent in progressing this reform – remain the same.

The retail and shopping centre sectors are pleased to restate their broad support for the Government's reform direction:

- Applying the GST to all products sourced offshore is not a new tax.
- It is the appropriate application of the GST to products which would, if purchased domestically, attract the GST.
- International corporations should be paying their fair share of GST in Australia.
- This move levels the playing field for Australian retailers to overseas retailer competition.

We support the legislative basis which would see offshore suppliers of tangible goods and services collecting and remitting GST to the Australian Government. This is a modern approach which will defer administrative costs from Government.

The vendor registration model has significant advantages over other possible schemes. However, we do have some concerns about the implementation and enforcement of the legislation.

Registering for GST

Given the suppliers we are discussing are, by definition domiciled overseas and are not subject to Australian taxation law a number of smaller retailers have raised concerns over the \$75,000 turnover threshold.

Following briefings with Border Protection, the Australian Tax Office (ATO) and Treasury, we are comfortable the Australian Government can undertake measures to encourage or force companies to register for GST including declaration form changes and data sharing with overseas jurisdictions.

Discussions indicated enforcement will rely on tax treaties with other countries, whereby the relevant authority within another country will enforce the new laws on retailers domiciled in their country, on behalf of the Australian Government. In addition, other options, including website blocking, also exist.

We acknowledge previous research and modelling that shows collecting the GST at the border is undesirable, given the administrative costs of doing so. However, that modelling was predicated on all low value goods being stopped at the border, assessed for GST and then held until the GST is paid by the consumer.



A mix of both the vendor registration model and a border-control model through checking of self-declarations along with data matching should be effective in enforcing the legislation. Where an overseas retailer does register for GST, they would then go on a list that is given to Border Protection and Australia Post. Goods from those suppliers would be earmarked as having paid GST and so would not be stopped at the border. However, an overseas retailer that has not registered for GST (and who therefore hasn't charged GST at the point-of-transaction) doesn't go on that list. Therefore, their goods will be stopped at the border and Border Protection (or Australia Post), discussions have indicated new coding will be introduced to assist these measures.

With indications 500 to 1000 of the largest overseas retailers have been identified as initial targets of the legislation, the 'overflow' of low value goods that have not had GST charged on them should be relatively low, and will therefore not pose an unacceptable administrative burden on Border Protection.

It has been noted in other consultations about the LVT that a relatively small number of overseas online retailers (accounts range from 20 to 50) account for a large percentage of the total consumer imports into Australia. With the initial scale of the proposed registration of brands non registered entities along with third party "Marketplace" websites, those who fall between the cracks are likely to contribute very small volumes.

The smaller and specialty members of our Associations have raised concerns about how overseas suppliers will be prioritised and encouraged to register for GST. Depending on how companies will be prioritised to register, it may be worth having specific Australian industries discussions with the ATO around options to identify specific overseas online suppliers to ensure the widest possible take-up of registration is seen by industry, having a mechanism to achieve this as necessary.

As noted above, **the ARA, ASGA and our members strongly support this amendment** to create a vendor registration model that will see overseas retailers register for, collect at point-of-transaction and remit to the ATO the GST for low value goods. Our concerns relate, for the most part, to how the Amendment will be implemented and enforced, and we are happy to continue to work with respective departments and agencies to achieve this.

We note that there is a proposed **two-year review** after implementation, we agree this is an important mechanism to address issues as they arise in what is a continuing area of taxation challenge along with observing what other jurisdictions might do in addressing these issues given Australia is one of the first movers in introducing these measures.

Our members thank Treasury and the Treasurer for the opportunity to be involved in this consultation and I would be pleased to discuss this submission further, at your convenience.



Australian
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Kind regards,

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