



Export Council of Australia

The Voice for Australia's Exporters

Australian Tax Office
PO Box 900
Civic Square
CANBERRA ACT 2608

Also by Email: AustraliaGST@ato.gov.au

RE: GST on Low Value Imported Goods

Dear Sir/ Madam,

The Export Council of Australia (ECA) is writing in response to the request for submission by the Australian Taxation Office (ATO) with respect to the Treasury Laws Amendment (GST Low Value Goods) Bill 2017 currently before Parliament, proposing to amend the laws to extend Goods and Services Tax (GST) to low value goods imported by consumers in Australia from 1 July.

The ECA is the peak industry body for Australia's exporters and importers, particularly SMEs. With a membership base of around 1,000 businesses and a reach of over 15,000 businesses, the ECA represents companies of all sizes and across a wide range of industries.

The ECA's core activities include research, advocacy, skills development and events. The ECA collaborates with a number of government agencies at the Commonwealth, state and territory levels, to advance the interests of its members and support SMEs. Within the Commonwealth, these agencies include the Department of Foreign Affairs and Trade (DFAT), the Australian Trade and Investment Commission, the Export Finance and Insurance Corporation, the Department of Immigration and Border Protection, the Department of Industry, Innovation and Science, and the Department of Agriculture and Water Resources.

The ECA expresses its concern over the impact of the GST Low Value Goods Bill on Australian importers, particularly small and medium-sized enterprises (SMEs) and importers of lower-value goods.

According to DFAT, Australia imported \$271.4 billion worth of goods and \$77.7 billion worth of services in 2015-16. Imports are an important component of Australia's economic prosperity. They promote competition and expand the range of goods available to Australian consumers, as well as help Australian businesses meet their strategic goals and provide goods to customers that may not be available locally.

Importing goods into Australia is not necessarily straight forward, especially for SMEs with limited resources. There are many things an importer needs to consider, such as rules and regulations, whether any licenses or permits are required, what the customs clearance requirements are, payment terms, logistics considerations, and more. There are also the initial challenges of understanding how to purchase your goods and set up contracts, as well as how free trade agreements and tariff barriers apply, that importers need to be aware of before a deal is even negotiated.

The ECA undertakes Australia's International Business Survey (IBS) on an annual basis, which is one of Australia's largest and most in-depth surveys of Australian international business activity.



While the survey captures the views of a broad selection of business sizes and types – 913 internationally active businesses from 19 sectors in 2016 – the 'typical' AIBS respondent is an SME with substantial international business experience.

AIBS supports the important fact that there is a strong correlation between exporting and importing activities. According to 2016 results, 58% of goods importers reported that imported materials, parts and components would be incorporated into a product for subsequent export important to generating overseas revenue.

The ECA is therefore concerned that given this correlation, imposing GST on low-value imported goods acts not only a disincentive for some foreign companies to do business with Australia, it could also be damaging to our SME exporters that rely on imported components. While the ECA recognises that the Bill places the burden on electronic distribution platforms and redeliverers, the cost of complying with the Bill will inevitably be passed to consumers and our SME exporters relying on imported components.

We echo the views of the American Chamber of Commerce in Australia (AmCham), who, in response to the Bill, have expressed:

- The proposed law is anti-consumer and anti-free trade in nature at a time when we need to be seen as a leader and advocate for free trade;
- It could open the way for other jurisdictions to follow suit, subjecting Australian business to reciprocal domestic taxes in foreign markets. We are creating an opportunity for our key trading partners to erect their own NTM barriers that would ultimately hurt Australian SME exports;
- The cost of implementing and policing such an initiative are likely to be higher than the actual revenues raised;
- That such a law is impractical as there are little ways to ensure the monies paid are voluntarily remitted to the Australian Tax Office.
- The bill fails to consider:
 - ⇒ How this legislation will be *enforced* against those based in foreign jurisdictions
 - ⇒ *How* the GST will be collected
 - ⇒ Who will be ultimately liable for GST- will the consumer be taxed by the vendor, electronic distributor and goods forwarder?
 - ⇒ How it expects businesses to implement systems by 1 July 2017 to collect GST
 - ⇒ How overseas vendors would register and report under the proposed model.

The ECA recommends that the ATO gives due consideration to the below:

- That GST be collected here in Australia, as no other country collects in the way that has currently been proposed, which will cause concern and contention with our overseas partners;
- This system will only work if all imports are part of the system – both commercial and e-commerce goods (which are deemed to be the main goods that the legislation is aimed at).

The ECA suggests that the following methods for GST collection be considered:

- ⇒ Australia Post currently do not offer customs clearance services, perhaps it is time for Australia Post to implement a system similar to those of courier companies, and offer not just delivery services, but also clearance and GST collection. Whilst Australia Post currently offers clearance through a third-party system, it is uncompetitive in relation to the values now being considered. Australia Post should



consider implementing a system via email/mobile phone alert that allows customs clearance and collection of GST online. This could be more economical in terms of pricing. The ECA would be happy to establish a consortium to engage with Australia Post on how this could work to ensure that the associated costs do not exceed the benefits to Government of GST collection.

- ⇒ Most imports via air or sea freight are already screened by the freight forwarder, who have already established the availability to collect GST here in Australia, whatever the value of the goods. The ECA recommends that they continue to be responsible for collecting GST, as they have the systems established.
- ⇒ E-Commerce platforms, where this is from a bonded warehouse here in Australia, the e-commerce platform will already be paying duty and GST through their clearance system. It will be up to the platform to change their pricing to reflect the new arrangements. Therefore the e-Commerce entity in Australia will be responsible where relevant for the GST collection and payment to the ATO.
- ⇒ For e-Commerce platforms, where delivery is direct from overseas then the barrier clearance in Australia needs to allow for GST to be collected via the transport system i.e. forwarder/courier/ who already have a system in place for goods valued over \$1,000 so it is only a matter of them changing the system to cover all values from now on. For international parcel post consignments we refer to our initial point on how to handle parcel post deliveries/collection of GST.

Ultimately, the ECA is concerned that the Bill as currently proposed will be harmful to Australian SMEs – both importers and exporters, considering the correlation between the two – and to our overseas trading relationships. We are also concerned that the costs of implementation and enforcement are also likely to exceed any potential revenue raised.

We urge the ATO to delay the implementation date for the new Bill until the many submissions including the ECA's recommendations have been taken into consideration.

Lisa McAuley,
CEO, Export Council of Australia