



7 April 2017

**Committee Secretary**  
**Senate Economics Legislation Committee**  
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**SUBMISSION - Treasury Laws Amendment (2017 Measures No. 1) Bill 2017: Low value imported goods**

Thank you for your correspondence dated 29 March 2017 and the opportunity to submit views on behalf of the Freight & Trade Alliance (FTA) membership.

**Freight & Trade Alliance (FTA)**

Freight & Trade Alliance (FTA) Pty Ltd is Australia's leading representative body for the international supply chain sector bringing together importers, customs brokers, freight forwarders and logistics service providers. A listing of our 265 business members, mission and a summary of recent advocacy activity is available at [www.FTAlliance.com.au](http://www.FTAlliance.com.au)

**Submission scope**

The *Treasury Laws Amendment (2017 Measures No. 1) Bill 2017: Low value imported goods* brings with it considerable complexity for industry in managing separate processes. Revenue collection at the border will remain for goods with a Value of Taxable Importation over \$1,000 AUD using a Full Import Declaration via the Integrated Cargo System (ICS).

If passed, the legislation will mean that “overseas vendors”, “electronic distribution platforms” and “redeliverers” will have to account for GST on sales of low value goods to consumers in Australia if they have Goods and Services Tax (GST) turnover of \$75,000 or more.

This hybrid model will force new cargo reporting and clearance requirements associated with the import of low value cargo on international freight forwarders, express carriers and licensed customs brokers.

Accordingly, the primary focus of the FTA submission submitted to Treasury on 2 December 2016 and 23 January 2017 centred on the operational impacts affecting these sectors of Australian commerce.

**Intent of the legislation**

As consistently highlighted in the previous FTA submissions, merit is seen in terms of the intent of the legislation to ensure that low value goods face an equivalent GST treatment to goods sourced in Australia. Importantly, the legislation will generate a significant quantum of GST revenue.

It is noted that Australia would be the first country to apply GST to the importation of low value goods using a “vendor collection model”, with jurisdictions such as the European Union moving in the same direction. Consumers and affected sectors of Australian commerce are at risk of facing complications by the introduction of a new, untested and complex tax regime.

## Implementation timeframe

FTA sees the largest risk to implementation being the short window from the eventual passing of the legislation to “go live”. The Australian import sector still vividly recalls the flawed Integrated Cargo System (ICS) implementation in October 2005 that brought Australian ports and airports to a grinding halt.

The Australian National Audit Office post implementation review of the ICS implementation (*The Auditor General Audit Report No.24 2006–07, Performance Audit*) highlighted that Customs underestimated the complexity and the risks associated with the project “*The implementation was not supported by a coordinated implementation strategy or adequate business continuity planning. Insufficient time was allowed for system testing, particularly end-to-end testing. Customs did not have quality assurance mechanisms to assess the readiness of third party software providers, the quality of their software or the preparedness of industry participants.*”

It is imperative that history is not repeated and that adequate time is provided to allow industry to design, scope, budget, implement and test systems.

In contrast, legislation applying the GST to international sales of digital products and services provided to Australian consumers received Royal Assent on 5 May 2016 with the measures to apply from 1 July 2017.

We commend the government for supporting this sector of commerce by providing an appropriate implementation timeframe. We are at a loss to understand why a similar implementation timeframe has not been considered for the significantly more complex changes associated with the proposed changes for low value imported goods.

*Recommendation 1. Defer implementation of the low value imported goods reforms to provide industry a minimum of 12 months for “go live” after the Bill receives Royal Assent.*

## Compliance

We understand from our consultation that the Australian Taxation Office intends to take a considered and reasonable approach to compliance activity as industry implements the low value imported goods reforms.

Whilst we support this approach, it is essential that a tough stance is taken on vendors deliberately avoiding GST payments and gaining a commercial advantage over compliant entities. This threat is greater for goods arriving via post that is not subject to cargo reporting and SAC processing.

*Recommendation 2. Informed compliance measures be introduced to deter fraudulent activity and to ensure that postal and cargo handling services operate on a “level playing field”*

We note the introduction of Section 84-53 and the relevant penalty in Section 288-46 in Sch 1 to the TAA. Our understanding is that this penalty may be imposed on “overseas vendors”, “electronic distribution platforms” and “redeliverers” if reasonable steps are not taken to supply prescribed information to entities completing declarations at the border.

*Recommendation 3. We seek further engagement with compliance enforcement agencies to gain an understanding of potential implications to entities responsible for completing declarations at the border including international freight forwarders, express carriers and licensed customs brokers.*

For your consideration

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**Partner, Freight & Trade Alliance (FTA)**

