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Economics Legislation Committee
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April 10, 2017

Keep Shopping Open – Submission to the Senate Inquiry into the GST on Low Value Goods

As an Australian online small business owner and entrepreneur of Disrupt Sports¹ who manufactures goods such as surfboards, skateboards and yoga mats here in Australia and exports internationally, I'm concerned about the GST Low Value Goods Bill put forward by the Government. I haven't seen a Bill like this anywhere else in the world and it's anti online small business, anti free trade and anti consumer.

This GST Bill runs counter to everything I stand for as an Australian small business, it encourages reciprocal action by other governments, which will make small business exports less competitive.

It gives less choice to consumers for which products they have access to and the overall reduction in competition will hurt us as consumers.

It doesn't make financial sense. In 2015 the Productivity Commission found that the average price of imports was less than \$100 and that it would cost \$2bn to collect the GST at the border (Australia Post & customs) finding their own processes were "not efficient" Vs the \$550m it would bring in.

Making marketplaces collect the GST shows a fundamental lack of understanding that marketplaces are a convenient, simple and cost effective method of me accessing overseas marketing and they are simply connecting buyers and sellers, not holding or on selling my products. The effect of the government legislation is to raise prices on marketplaces platforms making my margins even lower, and potentially reducing consumer demand for my products by forcing consumers to pay more.

I took that message to the Australian Government late last year and was disappointed that given the Government's commitment to innovation and entrepreneurship that they did not seem to understand my concerns. I feel it is my responsibility to keep fighting this on behalf of online small businesses who are the innovation engine of our economy and mobilising fellow Australian consumers. Like most Australians I'm also a consumer who wants to be able to continue shopping online from overseas and have the choice that comes with that. This tax puts our global competitiveness and reach in jeopardy, and if other countries follow Australia it will mean that they will expect small businesses like mine to collect tax on their behalf which will cost me money to administer and make my business less competitive.

The consumer campaign **#keepshoppingopen** raises awareness amongst Australians and all politicians in an open and democratic forum about why this Bill will harm small business, innovation and entrepreneurship, and why it is bad for consumers and Australia.

¹ **About Disrupt Sports**

DisruptSports.com is a 'Design your own' sports equipment platform helping customers and businesses design and brand their own high quality sports equipment from surfboards to snowboards, ping pong tables to footballs and everything in between. Some of DisruptSports recent achievements: Sent the worlds first surfboard into space; [Invented SmartSurf – the worlds first socially connected surfboard](#); Awarded the Optus 2016 start-up of the year; Awarded the NORA 2016 new online retailer of the year; Featured on Channel 10's SharkTank



I ask that the Senate Committee consider the content of the campaign website www.keepshoppingopen.com.au (also see a summary in the Appendix). I urge the Committee to consider the far reaching implications of this Bill and to support Australian small businesses online who are exporting to the world.

Yours faithfully

Gary Elphick
CEO, Disrupt Sports
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Appendix:

Keep Shopping Open Campaign – Australia 2017

In summary the key points are as follows:



WHY IS IT BAD FOR AUSTRALIAN SMALL BUSINESS?

More than 35,000 Australian small businesses will be affected. There are more than 35,000 small Australia businesses, employing more than 60,000 people, who currently use sites to sell their goods overseas. If Australia puts a GST on all goods coming here, it is very likely other countries will reciprocate and tax Australian businesses selling into their countries. Australian businesses already struggle to keep prices low enough to compete against goods from countries with low wage economies. Even a small price hike will see them become uncompetitive and their export market will dry up.

This will harm our export market. Technology enabled commerce has meant Australian business of all sizes can gain access to world markets. This has seen the emergence of around 35,000 micro-multinational Australian businesses – small businesses that sell to the world. But if Australia puts a GST on all products coming into Australia, it is likely the countries our businesses export into will do the same. Australian small businesses are already at a disadvantage because of our geographical distance from other markets and our high wage economy, both of which affect the price of goods. Even a small price hike will see much of our export industry dry up.



WHY IS IT BAD FOR AUSTRALIAN CONSUMERS?

Australians will pay higher prices at check out. A GST on all overseas goods means overseas sellers will simply raise their prices to cover the cost of the new tax and the additional administration costs, which means Australian consumers will pay more every single time they buy something.

Australian consumers will end up with less choice. Many overseas sellers will put Australia in the too hard



basket and stop selling here. Many of the goods they currently buy will simply not be available to purchase anymore. And this will particularly affect regional Australians who, with very limited access to shopping centres, have far less choice to begin with.

Reduced competition affects Australian consumers. Competition is one of the best ways to make keep the marketplace fair and affordable for consumers. Because many overseas sellers will stop selling to Australia once the tax comes in, Australia will go back to being an island where global sellers put our country in the too hard basket. This means less or no shipping to Australia resulting in restricted choice, competition and higher prices. It's bad for Aussie consumers.



WHY THIS IS BAD FOR AUSTRALIA?

In a global economy this is a backward step. Australia has always been at a geographical disadvantage when it comes to trade, but the advent of the Internet changed that. Small Australian businesses can now trade easily and economically with the rest of the world. But global ecommerce only works effectively when it is 'frictionless' which is why no other country has restricted their ecommerce economy by putting a GST on all imports, including low cost ones. In an increasingly global economy, this is a dangerous precedent by the Australian Government and a backward step in a time when we should be embracing the technological opportunities for Australian businesses, not putting red tape on them.

It won't raise significant revenue. In 2015 the Federal Government asked the Productivity Commission to look into applying GST on all overseas purchases. They looked at a threshold of \$500 and collecting the GST at the border through Australia Post and Customs. That proved too expensive and the Productivity Commission reported that most transactions had an average price of less than \$100. So the Government floated a \$20 threshold, but the Productivity Commission found that the current tax and duties collection process was "not efficient" and that the cost to collect the revenue would be \$2 billion – far outweighing the \$550 million it would bring in.

Asking marketplaces who don't hold the goods to collect doesn't make sense/cents. Currently the Government collects GST only on overseas purchases worth over \$1000. It collects this via its Customs and Australia Post agencies. The Government looked at reducing this amount down to \$500 but their own Productivity Commission found it would cost far more to collect the tax then the revenue it would raise. So now they have asked third party sites to collect the tax for them, even though these are marketplaces not sellers.