

Monday, 3 April 2017

Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

To the Committee Secretary

Please find below ASOS's submission into the inquiry into Treasury Laws Amendment (GST Low Value Goods) Bill 2017.

1. We are concerned that if, complexity and uncertainty are not avoided, then compliance will be needlessly difficult which could have a negative impact on both the success of the legislation and the Australian Consumer. For this legislation to be successful we believe that the following considerations are important:
 - That the legislation is clear and can be easily explained to customers so that they understand the tax position on purchase.
 - That the start date for the legislation takes account of the significant changes to business processes and systems that will be required.
 - That there is a level playing field for all retailers so that this legislation does not just impact those with a high profile.
 - That the impact on the customer experience is minimised in that the process for GST collection is clear and that there is no risk of over-charging GST.
2. There is too little time between the finalisation of the legislation and the proposed commencement date. It seems likely that the new legislation will not be finalised and enacted until May at the earliest, this only leaves 1 month to implement and test any required changes to both retailers' systems and those of any third parties involved in the supply chain. For example, the following areas will need to be considered:
 - The correct information will need to be collected at checkout and there needs to be clarity on what information needs to be provided to the customer at the point of sale and in what format?
 - The correct information needs to flow through from checkout into accounting systems to enable accurate completion of the required tax returns. Consideration will need to be given to the impact on the overall architecture and how the systems work together to ensure that the right answer is arrived at. Given that these changes are finance related they will require considerable testing to ensure that the numbers can be reported correctly.
 - We understand that there will be additional information required on import to enable goods to enter Australia quickly. This information will again need to feed through systems and into import documentation. These changes will need to be tested not only in our own systems but in those of the freight providers to ensure that they flow through correctly.

- Whilst the ATO has published draft guidance for consultation we understand that this cannot be finalised until after the legislation has been passed meaning that there is insufficient clarity over the requirements and too little time to make any necessary changes.
3. There are a number of concerns that arise from the differing treatment of 'Low Value Goods' and those values at about AUD 1,000. We are concerned about the practicalities of operating, in effect, two different systems of GST will be in operation, adding another variable to the treatment of an item on checkout will only add complexity to the check-out process. We are also concerned about the potential negative impact that this may have on our customer's experience, particularly where the customer may be expecting the GST to be collected at checkout only to discover it will be stopped at the border for the collection of import VAT. In these circumstances, it needs to be clear in the legislation how this double taxation will be refunded. Furthermore, where products are priced on a GST inclusive basis, removing the GST at checkout is not technically viable. Several additional pieces of information are being requested on import, one of which is an indication of whether the GST has been paid. The presence of this information should make it possible for the supplier to account for GST regardless of the value, without interfering with the Custom's Duty process.
 4. We also have concerns around the proposal to exempt B2B transactions. As a consumer facing business the vast majority of our customers are B2C. At the point of sale, we do not collect information to enable us to identify B2B customers, to do so would slow down the customer journey and could result in lost sales from customers abandoning their purchase. As the stated aim of the legislation is to be consistent with equivalent supplies made in Australia then surely it would be simpler to allow a GST registered purchaser to claim a credit for the value of the GST through the normal VAT return process.
 5. The legislation around EDP's appears to be ill-conceived. Firstly, you are asking entities that never physically received the cash from a transaction to pay over amounts of GST that they never receive, secondly most suppliers who trade through a marketplace are well below the threshold for registering for GST, this means that transactions will become taxable that would never have been taxable were it not for the presence of the marketplace. Thirdly, usually any returns go straight back to the supplier, how is the EDP to know that a GST credit arises in those circumstances. Finally, a business that transacts through a marketplace but is located in Australia would not be taxable were it below the registration threshold therefore it does not seem to be equitable for an overseas supplier to become taxable in the same circumstances.

Kind regards

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