



Thursday, 6 April 2017

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Senate Standing Committees on Economics  
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### GST on Low Value Imported Goods

Dear Sir / Madam,

The American Chamber of Commerce in Australia is writing in response to the request for submissions by the Senate Standing Committees on Economics, with respect to the Treasury Laws Amendment (GST Low Value Goods) Bill 2017 (the 'Bill') currently before the Economics Legislation Committee for inquiry and report, that proposes to amend the law to extend Goods and Services Tax (GST) to low value goods imported by consumers in Australia from 1 July 2017.

In effect, the proposed Bill will require foreign vendors, electronic distribution platforms and goods forwarders, with turnover above \$75,000, to account for GST on sales of low value goods to consumers in Australia. AmCham respectfully raises its voice in opposition to this proposed legislation.

The American Chamber of Commerce in Australia - better known as AmCham Australia - was founded in 1961 by Australian and American businesses to encourage the two-way flow of trade and investment between Australia and the United States, and to assist its members in furthering business contacts with other nations. In pursuing this goal, AmCham Australia has grown and diversified. It finds itself not only representing the United States' business view, but also speaking increasingly for a broad range of members involved in the Australian business community.

AmCham Australia represents the interests of American companies undertaking business activities in Australia. American investment accounts for 27 percent of all foreign investment in Australia which makes it, by far, the single largest foreign investor in Australia. We also have significant membership by Australian companies and endeavour to represent their interests whenever appropriate.

AmCham counts among its members a number of major companies whose core business is to provide an e-commerce platform through which a high volume of low value goods are traded. This 'virtual marketplace' is a crucial cog through which modern local and international retailers operate, including over 30,000 Australian businesses.

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By treating an electronic distribution platform (EDP) as a supplier, this Bill not only makes it more difficult for companies to do business with overseas markets, but also limits Australian consumer choice and hinders consumers from accessing the most competitive customer-oriented services available. This is fundamentally inconsistent with the Government's stated pro-growth, pro-opportunity agenda.

The United States is Australia's second largest source of imports, and is projected to remain so over the coming decade. EDPs are one of the many mechanisms that help facilitate trade with crucial economic partners such as the US. Imposing GST on low value imported goods acts as a disincentive for some foreign companies to do business with Australia. Furthermore, it unfairly targets third-party e-commerce platforms with a presence in Australia, and is not explicit in terms of how compliance will be enforced and who is responsible for collecting GST under this new arrangement. From AmCham's perspective, a 'race to the bottom' on taxing imports is in no country's economic interest, and is detrimental to the entire global trade regime.

In summary, AmCham wishes to put forward the following points regarding this Bill:

- Our members view the proposed law as anti-consumer and anti-free trade in nature, and as not being consistent with the Government's pro-growth innovation agenda.
- It misunderstands the fundamental nature of the digital economy and eCommerce.
- It would be unprecedented in its scope, and it could open the way for other jurisdictions to follow suit, subjecting Australian businesses to reciprocal domestic taxes in foreign markets.
- Some foreign businesses may be forced to reconsider doing business in Australia, thereby impacting competition and consumer choice.
- The costs of implementing and policing such an initiative are likely to be higher than the actual revenues raised.

It is interesting to note that this proposed lowering of the threshold for the collection of GST on e-imports into Australia runs exactly counter to the trend in other major trading partner jurisdictions, e.g. the United States, where the threshold for duty collection on imports is being raised. We recommend that the Senate fully explore and understand why these trading partners are reaching the opposite conclusion on the same issue.

- Such a law is impractical as there is little way to ensure the monies paid are voluntarily remitted to the Australian Taxation 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 ultimately will be 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
  - How overseas vendors would register and report under the proposed model.

Thank you for your consideration, and for this opportunity to submit AmCham's views on GST on Low Value Imported Goods. We welcome any queries you may have regarding our submission and any opportunities to further engage in the consultation process.

Yours sincerely,

  
**Niels Marquardt**  
U.S Ambassador (ret.),  
Chief Executive Officer