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

### **GST on low value goods**

Dear Secretary,

I am compelled to write to you about the GST Low Value Goods) Bill 2017 that will mean GST is to be applied to low value goods being imported to Australia. I have serious concerns about the proposed changes on several grounds including revenue leakage, unknown liabilities for parties in the supply chain and compliance costs.

My comments are based on Treasury discussion papers and not on the proposed Act of Parliament as I have not had the time to read the draft Act or the skill to interpret it.

We are a software providers for the International logistics industry and our software is used by Customs Brokers and Freight Forwarders including several eCommerce supply chain participants. Amongst other things, our software communicates with Customs for Formal Import Declarations and Self Assessed Clearances.

The construction of the proposed laws by Treasury has been based on faulty premises that in turn are based on a lack of understanding of the process involved with High Volume Low Value cargo movement. My understanding is that some time ago when the idea of collecting GST on HVLV shipments was initially being investigated there was a study of the what it would cost to collect the GST. The false assumption was that the GST would have to be collected in Australia from the purchaser at the time of the delivery of each parcel. Clearly the collection costs would have been very high for this model but it was not the only model that should have been considered. Treasury then decided that the best option was to collect the GST from the seller, in this case overseas entities. Once again, a very poor option that demonstrated a limited understanding of the supply chain processes. There is a far better option as described below.

Firstly, I will provide a brief overview of the supply chain process relating to international HVLV shipments. A typical HVLV shipment involves many items in one shipment, in some cases over 10,000 items. All of the items have a consignment note (equivalent of a House Bill) associated with them. Individual parcels are not shipped separately. They are consolidated into a single shipment with a single Master Airway Bill (MAWB) for the international leg of the cargo movement. Currently a Cargo Report (electronic message) is sent to Customs before the cargo arrives in Australia. For each item that is valued at A\$1,000 or below they are processed as a Self Assessed Clearance (SAC) rather than as Formal Import Declaration (FID). Once quarantine, health and security issues have been dealt with then the goods are cleared for delivery and they move on to the local courier (e.g. Australia Post) for delivery to the purchaser.

My proposal is that the GST is collected with the SAC Cargo Report as one payment for the whole shipment. The total value of all the goods in the whole shipment is known so simply apply GST and collect one payment from the freight forwarder at the border. One transaction only. As with FIDs, the goods would not be released until the GST had been paid. The result is 100% revenue collection and a simple system with low compliance costs. The GST would be collected by the seller of the goods as happens now for many other countries. The seller's software will collect delivery details that include the delivery country hence the software can easily add Australian GST to the payment. The seller simply gets a total of GST for the whole consolidated shipment and submits this single amount to the Australian freight forwarder. The Australian freight forwarder then makes a single payment to Customs with the import Cargo Report.

Businesses can claim back on BAS where required using the SAC entry print for BAS claim.

The Treasury proposal requires the ATO to collect the GST from the overseas sellers. Overseas sellers will be required to register and obtain a Vendor ID. The Vendor ID and importer ABN will be new data elements for the import Cargo Report. My understanding is that there will not be a way of validating the Vendor ID so what is the point of it? If it becomes mandatory in the future then we have the prospect of cargo being held at the border due to complex bureaucracy and commercial dealings (especially if other participants in the supply chain are roped into the GST collection).

If the GST is to be collected from the overseas sellers then it will be very difficult to enforce compliance. There is a significant risk of revenue leakage. There was a proposal in the discussion papers for other participants in the supply chain to be held liable for the GST if the GST could not be collected from the seller. If this is still the case then there is a huge and unfair risk for freight forwarders, air lines and local couriers.

The original Treasury proposal included complicated exemptions and other processes that result in high compliance costs and likely revenue leakage. My proposal is simpler, means no revenue leakage and is much easier to implement as it only requires small changes to existing systems.

Sincerely,



Douglas Meuross  
CEO  
Hi-Tech Freight Solutions (Aust) Pty Ltd

