

Dissenting Report by Labor Senators

Position of Labor Senators

1.1 Labor Senators support the collection of GST on low value imports in principle.

1.2 However, Labor Senators want to see a model that is workable. It should have a high degree of compliance and not have significant adverse consumer outcomes.

1.3 Labor Senators are prepared to work in a bi-partisan manner to find a suitable model.

Findings from the written submission and hearing processes

1.4 Treasury admitted that the lack of a Regulation Impact Statement was in breach of the Office of Best Practice Regulation guidelines. Labor Senators were very concerned to hear that the Turnbull government had botched its own policy process.

1.5 eBay claimed that Treasury officials had told them that they expect a 25–30% compliance rate from the model set out in this legislation. Treasury officials later stated that they expect this compliance rate in the third year of operation and for it to reach maturity in 2022–23 at 54%. Labor Senators are concerned that this bill will not level the playing field as claimed by the Government.

1.6 Labor Senators also heard evidence from the Australian Tax Office that jurisdictions like the USA and China will not enforce the measure on their behalf. Labor Senators are concerned that compliance is largely reliant on the goodwill of overseas operators.

1.7 No explanations were offered by the Government for the decision to move away from recommendations set out in Chapter 7 of the 2011 Productivity Commission report *Economic Structure and Performance of the Australian Retail Industry* and the subsequent Low Value Parcel Processing Taskforce final report. The taskforce report considered a number of different models and proposed a form of 'logistics' model where logistics companies might collect GST revenue.

1.8 Regarding the 1 July 2017 start date, Treasury officials declined to answer questions about whether alternative start dates had been modelled. Witnesses from the Australian Retailers Association, online retailers, the Conference of Asia Pacific Express Carriers and the Freight & Trade Alliance all expressed concerns about the 1 July 2017 start date.

1.9 Labor Senators also note comments made in the media by the Chair expressing similar concerns about the 1 July 2017 implementation date:

Look, the model that's been proposed was announced in August 2015. However, it's quite understandable that those companies to whom it applies

wouldn't be prepared or have made the necessary changes until after the legislation was actually passed.¹

Conclusion

1.10 The Treasurer has botched the policy development process, has failed to properly consult with stakeholders and has failed to develop a workable model for low-value imports that levels the playing field while maintaining suitable consumer outcomes.

Recommendation 1

1.11 The Government note the in-principle support of Labor Senators for the collection of GST on low value imports.

Recommendation 2

1.12 That the Senate should not pass the Treasury Laws Amendment (GST Low Value Goods) Bill 2017.

Recommendation 3

1.13 The Government complete a full review within one year, with engagement from all stakeholders. The review should include an analysis and comparison of alternative implementation models.

Recommendation 4

1.14 The Government deliver a Regulation Impact Statement with any revised legislation to assure small businesses and consumers that measures will operate as intended.

Recommendation 5

1.15 Any revised legislation is to have a start date of 1 July 2018.

Senator Chris Ketter
Deputy Chair

Senator Jenny McAllister
Australian Labor Party, NSW

1 Jackson Stiles, *Delay the online shopping tax, Senate committee to urge government*, *The New Daily*, 24 April 2017, <http://thenewdaily.com.au/money/your-budget/2017/04/24/ebay-gst-delay/> (accessed 8 May 2017).