

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

2016 - 2017

**Division/Agency:** Individuals and Indirect Tax Division

**Question No:** 193

**Topic:** GST Low Value Threshold

**Reference:** Written

**Senator:** Ketter, Chris

**Question:**

Regarding the removal of the \$1,000 threshold for GST imposition on goods (or applying the GST to low value imported goods more precisely).

1. Previously, the Productivity Commission recommended that the threshold not be lowered until it is cost effective to do so. Does the ATO have an insight into the factors that have changed since the PC report and what they are?
2. Does the ATO have estimates of 'cost effective' thresholds for GST imposition on imported goods from previous years? If so, can they be provided on notice?
3. Can you just explain how the tax is collected under the vendor registration system?
4. Were there are other collection models considered, such as looking at the logistics companies? I understand there are only about half a dozen logistics companies in Australia that are involved in the delivery of goods purchased online: did you consider using them in that process of tax collection?
5. Can you tell us which online-platform providers were consulted in relation to the operation of the new law?
6. What safeguards are in place to ensure that redeliverers are liable for GST?
7. Who can tell me how much extra funding the ATO is going to receive, or has received, to assist it implementing the GST on low-value imported goods?
8. For the current legislation, were other thresholds considered? If so, what were they? What is favourable about no threshold compared with an alternative that is also lower than \$1,000?
9. Does the ATO have an estimate of Low Value Imports at the Border?
10. If so, can the ATO provide estimates of Low value items affected by the threshold removal:
  - a. Valued at less than \$1,000
  - b. Valued at less than \$500
  - c. Valued at less than \$100
11. Does the ATO have estimates of the costs passed onto consumers? If so, can it provide those cost estimates broken down into their GST and compliance cost components?
12. Which online platform providers were consulted on the operation of the new law?
13. What entities are considered 'redeliverers' under the new law?
14. Which redeliverers were consulted on the operation of the new law?
15. What safeguards are in place to ensure redeliverers are liable for GST? What penalties are in place if suppliers or redeliverers are non-compliant?
16. Does ATO have an estimate on how redeliverers will pass the GST onto suppliers and/or consumers?
17. Does ATO have and can they provide, estimates of the number of non-residents making supplies who are likely to choose to become limited registration entities?
18. Does the ATO have, and can they provide, estimates of the breakdown in revenues by firms?

19. Can the ATO provide data on the number of firms consulted, and compliant, with the recent application of GST to overseas digital service providers?

**Answer:**

1. The \$1,000 threshold is not being removed or lowered. Instead, a separate system is being put in place to apply the GST to imported goods worth \$1,000 or less that will work in conjunction with the existing system to process consumer imported goods over the \$1,000 threshold.

The Commonwealth, States and Territories considered different collection models and agreed in-principle to a vendor registration model. A vendor registration model was agreed to because it is simple to understand and does not stop parcels at the border. Consumers will be charged GST upfront at point of sale just like when purchasing domestic low value goods and will know how the GST is to be charged before committing to a purchase. Collecting GST at point of sale is efficient as it will ensure that low value goods flow across the border and flow to consumers without delay.

2. In-depth analysis was conducted as part of reviews which considered the cost effectiveness of lowering the GST-free threshold, including the 2011 Productivity Commission report the *Economic Structure and Performance of the Retail Industry*. These reviews found that lowering the GST-free threshold for the current system of charging GST at border would not be a cost effective solution. This is why a separate system is being put in place to apply the GST to imported goods worth \$1,000 or less that will work in conjunction with the existing system to process consumer imported goods over the \$1,000 threshold. Given that the \$1,000 threshold is not being lowered, the ATO does not have estimates of 'cost effective' thresholds.
3. Under a vendor registration system, vendors that supply or facilitate the supply of \$75,000AU or more worth of low value imported goods in a year to consumers in Australia will be required to register to collect and remit the GST. These vendors, including electronic distribution platforms must collect the GST at point-of-sale on goods valued \$1,000 or less. Consumers would pay for the GST when they purchase the good online, and then the GST would be remitted to the ATO.
4. A range of models were considered. The vendor registration model was chosen because it is one of the most efficient ways of collecting the GST and does not stop parcels at the border.
5. Treasury conducted public consultation on draft legislation from 4 November to 2 December 2016. Treasury received submissions from overseas vendors as well as online retailers, redeliverers, domestic retailers, online platforms and transport companies and associations. Treasury also conducted targeted consultation with key stakeholders, including redeliverers and major online platforms on a confidential basis.
6. The ATO will be responsible for administering the measure. The ATO are working with overseas vendors, including redeliverers, to alert them to their obligations and what they need to do in order to be ready to implement their systems.

The ATO will be undertaking an extensive education and communication campaign, and profiling work to identify and assist affected overseas businesses to comply. The ATO has a number of compliance tools such as: issuing default assessments and penalties, data sharing and debt recovery and multilateral tax agreements.

7. The 2016-17 Budget provided an appropriation of \$13.8m over four years. This amount included funding of \$2.5m for the Department of Immigration and Border Protection.

8. See response to Question 1.
9. In 2015-16, 33.5 million low value consignments arrived by air and sea cargo and 56.2 million postal packets arrived by international post. The figure for postal packets includes both low value and high value goods sent via international mail.
10. The breakdown of low value air and sea cargo consignments only for the 2015-16 year, provided by the Department of Immigration and Border Protection is as follows:
  - *Valued at less than \$1,000 – 33,517,775 consignments*
  - *Valued at less than \$500 – 9,220,151 consignments*
  - *Valued at less than \$100 – 1,449,394 consignments*

Note: figures do not include low value goods imported through international mail.

11. Treasury does not have specific estimates. However it is anticipated that GST will be included in the price just like it is for domestic low value goods.
12. See response to Question 5.
13. A ‘redeliverer’ provides offshore mailbox or shopping services in relation to goods and then assists with the delivery of these goods into Australia. Generally, a consumer in Australia will engage the services of a redeliverer when an overseas supplier does not deliver goods directly to Australia.

For example a redeliverer could be an entity that can make or help arrange the initial purchase (including by acting as a personal shopper), provide a mailing address for delivery in the relevant jurisdiction, make arrangements for any required storage and deliver the goods or arrange for their delivery to the consumer.

Individuals who send low value goods to Australia for non-commercial reasons are not treated as redeliverers.

14. See response to Question 5.
15. In relation to safeguards in place to ensure re-deliverers are liable for GST, see response to Question 6.

#### Penalties

New administrative penalties can apply for:

- Making a misleading statement to another entity in regard to whether their supply is connected with Australia (administrative penalty);
- Failing to give notice to their customers of the GST they have charged on their supply of low value goods (20 penalty units); and
- Failing to pass the following information through the logistics chain in the customs declarations for their supply of low value goods for delivery of their supply of low value goods: (a) their GST registration number; (b) their customer’s (if known), and (c) the extent to which they have charged GST (20 penalty units).

It is expected that a number of these entities (particularly the electronic distribution platforms that are in scope for this measure), will also be ‘Significant Global Entities’ (SGE’s) – i.e. companies with an annual global revenue of \$1 billion or more.

From commencement:

- The penalties for SGE’s which fail to lodge GST returns will be increased by 100 times the maximum penalty applicable for non-SGE entities;

- Where the Commissioner determines a tax related liability without the SGE providing documents as required, the penalty is doubled from 75 to 150 per cent of the liability raised;
  - Administrative penalties for SGE's whose culpable behaviour (e.g. making misleading statements) leads to a shortfall in tax, the current rates are doubled to new rates of 50, 100 or 150 per cent of the tax shortfall (depending on the nature of the culpable behaviour);
  - Where SGE's make false or misleading statements, but these do not lead to a shortfall in tax collected, the administrative penalty points to which they are liable doubles. This means that they will be liable to 120 penalty units for intentionally disregarding their tax reporting obligations, 80 penalty units for acting recklessly, and 40 for failing to take reasonable care.
16. Redeliverers will be required to collect GST on the sum of the value of deliveries of low value goods delivered to consumers in Australia and collect GST on the value of its services. Redeliverers will need to register for GST, charge the GST at point-of-sale to the consumer, and report and remit the GST collected to the ATO.
17. As advised by the ATO during the hearing for the Senate Inquiry into *Treasury Laws Amendment (GST Low Value Goods) Bill 2017* on 21 April, current estimates suggests around 3,000 businesses may be required to register as a result of the Bill. This number takes into account the effect of including electronic distribution platforms as liable entities. Businesses will have the option of registering as full registrants under existing processes or, as limited registration entities under a simplified process to be introduced.

This response provides an updated estimate from the ATO for the same question on notice at part 3 question 294 that was provided to the Senate Committee.

18. Treasury does not have this information.
19. The ATO has been actively consulting with business and their advisors (including tax practitioners and law firms), ahead of the implementation of the law, to shape guidance products and administrative approaches to reflect the law, recognise business realities and meet community expectations.

Treasury received 16 formal submissions and engaged in targeted consultation. Stakeholders consulted included advisory bodies, telecommunication and software companies. The law to apply the GST to digital products and services imported by consumers comes into force on 1 July 2017. Prior to that date no business could be considered non-compliant.