

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 29, 30 & 31 May 2007

Question: bet 1

Topic: Tourist Refund Scheme

Hansard Page: Written

Senator SHERRY asked:

1. *Almost four years after it was foreshadowed, and following a press release on 9 August 2005 by the Assistant Treasurer and Minister for Tourism, announcing a Review of the Administrative Arrangements for Tourist Shopping there is still no outcome. Could you please provide us with an update on progress with the Review?*

Answer: The Government announced changes arising from the Review of Administrative Arrangements for Tourist Shopping in the 2007-08 Budget and is currently seeking approval from the States and Territories where applicable to implement these changes. Decisions that do not require State and Territory approval are currently being implemented.

2. *Why has it taken the Government so long to respond to this review?*

A comprehensive process was undertaken. As some proposals require amendments to the *A New Tax System (Goods and Services Tax) Act 1999* and *A New Tax System (Goods and Services Tax) Regulations 1999*, unanimous support is required by all States and Territories pursuant to the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*.

3. *Are you aware of the level of uncertainty this lengthy delay has created for the tourist shopping industry, including retailers and tourist service providers?*

Until changes to tourist shopping arrangements are finalised, retailers and tourist service providers will continue operations in accordance with the existing tourist shopping arrangements.

4. *In December last year the Government wrote to all States and Territories seeking their agreement to proposed changes to the Tourist Refund Scheme including:*

- *allowing multiple companies to provide tourist expenditure refunds;*
- *allowing the aggregation of invoices to reach the \$300 spending limit; and*
- *an extension of validity from 30 to 60 days prior to departure. (The unanimous support of all States is required for these changes - this was*

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confirmed in Estimates on 16 February this year). Has the Government received any response from any States to its letter?

Yes.

5. *Which States have responded?*

All States and Territories with the exception of one have responded.

6. *What was the nature of the Victorian Government's response?*

Correspondence between the Australian Government and State Governments on such issues is considered to be in-confidence.

7. *What was the nature of the South Australian Government's response?*

Correspondence between the Australian Government and State Governments on such issues is considered to be in-confidence.

8. *Have all the States/Territories responded?*

No.

9. *Why has the Government failed to make any public announcement to provide certainty on this issue when it is clear that the States and Territories do not support the proposal to open the refund scheme up to competition?*

The Australian Government's decision was publicly announced in the 2007-08 Budget. As noted above, not all States and Territories have responded.

10. *Can you provide me with an estimate of cost to the Government of this Review over three and a half years?*

The review was conducted by an Interdepartmental Committee (IDC) consisting of the Departments of Treasury, Industry, Tourism and Resources and Prime Minister and Cabinet respectively, with assistance from the Australian Taxation Office and the Australian Customs Service. The review was part of the normal process of advice to Government.

11. *Has the Government done any evaluation of how much value the proposed changes expected to add to the Australian economy?*

The IDC report considered all relevant information.

12. *Why has so much time and resources been invested into this issue when the benefits of allowing multiple refunders are clearly marginal?*

The Government agreed to review the tourist shopping arrangements and has done so.

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13. *Why – in spite of the States’ opposition – do this year’s Budget Papers Number 2 and 3 state that private providers will be able to provide tourist refunds from 1 February 2008?*

Budget Papers Numbers 2 and 3 outline Australian Government decisions.

14. *Why do the Budget Papers contain the incorrect statement: “The changes to the TRS (other than introducing private providers) and to the sealed bag scheme require the unanimous agreement of the States and Territories.”? (Senator Stephens was informed by DITR in Estimates on 16 February that changes to the GST legislation required agreement from the States).*

There is an inadvertent error.

15. *Has Treasury (or the Department of Industry, Tourism & Resources) made any effort to correct this error on the public record?*

Responses to enquiries have clarified the requirement for unanimous approval by States and Territories for the entry of private refund providers. The States and Territories were contacted on this matter.

16. *Isn’t the failure to correct the record publicly just prolonging the uncertainty to the cost of all TRS stakeholders?*

See answer to question 3.

17. *Did the Government consider the experience with “outsourced” schemes overseas similar to that it proposed prior to seeking the States’ approval?*

Yes.

18. *Are you aware that the Canadian Government just scrapped its tourist refund scheme, as a result of the significant costs and issues associated with allowing a range of private providers to operate in the market – similar to what the Government has proposed to the States?*

The Australian Government is aware of the recent changes to Canada’s tax refund operations to non-residents.

19. *When will the Government finally announce an outcome of this process and bring nearly four years of uncertainty for this sector to an end?*

The Australian Government is waiting to receive and assess all responses from the States and Territories.