

TREASURY EXECUTIVE MINUTE

Minute No.

21 April 2010

Assistant Treasurer

cc: Treasurer

THE LOW VALUE IMPORT THRESHOLD, GST AND CUSTOMS DUTY

Section 34 Cabinet Document

Recommendation/Issue:

- That you note this briefing, which concludes that the current low value import threshold of \$1000 provides an appropriate balance between revenue collection, competitive neutrality, and compliance costs; and

Noted

- That you agree that the current policy position remain unchanged.

Agreed/Not Agreed

Signature:

...../...../2011

KEY POINTS

**Section 34 Cabinet Document
and
Section 22 Not Relevant**

Section 22 Not Relevant

Local retailers claim that the low value import threshold results in unfair price competition from imported goods that do not face GST or customs duty on entry. They claim that the growing popularity of internet sales is exacerbating the

problem, because Australian consumers can purchase some goods through overseas websites and have them delivered for less than the Australian retail price.

- The absence of GST and customs duty on lower value imports might not necessarily be the sole reason for strong price competition for some locally retailed goods. The strong Australian dollar, lower marketing costs overseas and quality variations can also contribute to price differences between locally sourced and overseas sourced products. Local retailers also retain important advantages for consumers over internet businesses such as greater certainty about quality, delivery, guarantees and after-sales service. Not all goods are cheaper online.

**Section 34 Cabinet Document
and
Section 22 Not Relevant**

GST General Unit
Indirect Tax Division

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Retail price competition and imported goods

Many factors affect the demand for Australian retail goods and their prices. Adding GST, customs duty and an import processing fee to the price of some imported goods might not necessarily increase demand for goods from Australian retail stores.

The table below shows a simple sample of the prices of various goods available for purchase online and at Australian retail stores in mid April 2010. These goods may not necessarily be typical of other goods available for sale online or in retail stores. Nevertheless, the sample shows that there is variation in the prices of retail goods, both domestically and online, and the international online price is not always necessarily the least expensive.

Table: Sample domestic and online prices of random retail goods, April 2010

Product	Standard Retail Price in Australia *Includes GST	'Special'/catalogue price in Australia *Includes GST	Australian-based online retail price, includes postage	Overseas online retail price Includes postage, excludes GST
Panasonic Digital Camera (Lumix DMC-ZR1-K)	\$487.00 (Myer)	\$417.00 (Myer)	\$287.35 (No GST*) (Topbuy.com.au)	\$317.00 (Adorama, USA)
Toshiba Laptop computer L500 T5870	\$1399.95	-	\$919.95 plus \$49 shipping (incl GST) (shopping.square.com.au)	-
Book - 'The Girl with the Dragon Tattoo', Stieg Larsson	\$27.99 (Angus and Robertson)	\$15.99 (Big W)	\$20.95 (Angus and Robertson – online) (No GST*)	\$24.25 (Better Bargains, USA)
Sony Playstation 3 Console	\$499.00 (Myer)	\$469.00 (Myer)	\$473.80 (MobileCiti) (GST Inc)	\$414.00 (Ebay, USA)
CD - 'Sigh No More' Mumford and Sons	\$21.99 (Sanity)	N/A	\$18.95 (CDWow.com.au) (No GST*)	\$18.32 (Amazon, USA)
Book - 'Mao's Last Dancer', Li Cunxin	\$35.99 (Borders)	N/A	\$36.00 (Booktopia) (GST Inc)	\$24.00 (The Book Depository, USA)
Guess Ladies Watch (W95057L1)	\$325.00 (Myer)	\$243.75 (Myer)	\$325.00 (shoebadoo.com.au) (GST Inc)	\$227.00 (bodying.com, USA)

* 'No GST' applies in some cases here where the distributor arranges for the goods to be shipped directly to the purchaser from an overseas warehouse.

The differences between international and domestic retail prices cannot clearly be accounted for by GST and customs duty. Where goods sourced from overseas are significantly cheaper than domestic retail, this might be due to factors such as the strengthening Australian dollar, lower marketing costs overseas, economies of scale overseas, the competitiveness of the local market, and quality variations.

Australian 'high street' retailers also face competition from Australian online suppliers. It is possible that goods purchased from these suppliers may be less expensive than high street retailers because they do not incur the ongoing labour, advertising and rent expenses of a retailer operating out of a shopfront. Lifting the low value import threshold would have little impact on prices in this market.

Purchasers of goods over the internet may face additional direct and indirect costs not faced by local retail purchasers, which could reduce the attractiveness of buying online. These include postage and handling fees, currency conversion fees, lack of sales and after sales/warranty service, risks inherent in purchasing unseen goods, the risk of delivery delays, the potential for identity theft and fraud, and damage or non-supply of goods for which payment has been made. These factors increase the relative appeal of purchasing locally.

Section 22 Not Relevant

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