

TREASURY EXECUTIVE MINUTE

Minute No.

15 October 2010

Deputy Prime Minister and Treasurer

cc: Assistant Treasurer and Minister for Financial
Services and Superannuation

LOW VALUE IMPORT THRESHOLD

Timing: You requested yesterday that briefing be prepared for you by today.

Issue:

- You asked for information on why a low value import threshold of \$1000 is appropriate.

Noted

Signature:

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

KEY POINTS

Section 22 Not Relevant

- We understand that some domestic retailers have called for a lowering or abolition of the threshold to relieve the ‘uneven playing field’ that currently exists because there is no GST or customs duty charged on the goods valued under the threshold. However, exchange rate effects, rather than GST, are more likely to be causing lower prices for imported goods currently.
 - Adding GST, customs duty and an import processing fee to the price of some imported goods might not necessarily increase purchases of goods from Australian retailers.

Section 22 Not Relevant

Pages 2-3

Section 22 Not Relevant

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Exchange rate versus GST

The absence of GST and customs duty on lower value imports is unlikely to be the main reason for strong price competition for some locally retailed goods. Since the beginning of 2010, the \$A has appreciated 11 per cent against the \$US, 13 per cent against the Euro, 11 per cent against the UK pound and almost 6 per cent against the \$NZ, which (*ceteris paribus*) should have reduced the direct price of imports. If local retailers have not passed on their own exchange rate savings in their local retail prices of imported goods, price differentials will be exacerbated. Other factors possibly resulting in lower priced imports include lower marketing costs overseas, quality variations and bulk supplies. Ten per cent GST may be inconsequential.

Section 22 Not Relevant