

**IN-CONFIDENCE**

**TREASURY EXECUTIVE MINUTE**

Minute No.

7 December 2010

Assistant Treasurer and Minister for Financial  
Services and Superannuation

cc: Deputy Prime Minister and Treasurer

**MEETING WITH REPRESENTATIVES OF RETAIL ASSOCIATIONS REGARDING  
THE LOW VALUE IMPORT THRESHOLD**

**Timing:** For consideration prior to your meeting on 9 December 2010.

**Recommendation/Issue:**

- That you note the attached information requested by your office.

**Noted**

Signature: .....

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

**Section 22 Not Relevant**

Manager  
GST General Unit Indirect Tax Division

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**Section 22 Not Relevant**

## **Section 22 Not Relevant**

The gradual strengthening of the Australian dollar against many currencies in recent years and the steadily increasing access by Australians to the internet are likely to be the critical factors behind reported increased online purchases by Australians. However, retailers and the media have focused on the fact that GST is not payable on imports under \$1000 and claim that this is the cause of the price differential between Australian and overseas retail prices that is driving overseas online sales.

Online sales from overseas are one factor retailers are blaming for poor domestic retail sales. Data suggests that consumer caution continues to result in below-trend outcomes in retail spending, with retail turnover in October recording its largest monthly fall since July 2009. This weakness comes despite strong fundamentals, such as strong growth in household income, employment and above-average consumer sentiment. However, together with the strength in household saving, the weakness in retail turnover suggests that consumers are adopting a cautious approach to their spending.

According to the ABS publication *Retail Trade* (Catalogue no 8501.0) for October 2010, the retail turnover in Australia for the twelve months to October 2010 was about \$242 billion. There are no official estimates of the value of online retail sales.

However, media reports have stated that the value of online sales in Australia is \$12 billion per year. This figure is likely sourced from a report released by Frost and Sullivan in July 2010, which, based on a survey of 'more than 1000 active online consumers' forecast that total consumer e-commerce expenditure in Australia will reach \$12 billion in 2010, excluding expenditure on

online services.’<sup>1</sup> Frost and Sullivan estimate that approximately 40 per cent of online sales are from offshore. They also expect expenditure to grow moderately over the next four years, rising to A\$17.7 billion by 2014. Frost and Sullivan also claim there has been a lag in local e-retail activity, largely because the large retail chains and department stores do not have strong e-retail presence.

The Frost and Sullivan report is the basis of a claim by the Australian Retailers Association that “the Government could be losing up to \$600 million in revenue by allowing goods under \$1,000 to be imported into Australia GST free” (see Attachment C).

## **Section 22 Not Relevant**

### **SCOPE FOR MISUSE OF THE THRESHOLD**

The Australian Sporting Goods Association has made claims of “rorting” of the threshold, in particular that goods are deliberately undervalued to avoid paying tax and customs duty, and that individuals who are unregistered for GST are importing multiple items under the threshold and on-selling them online or at local markets without remitting GST.

*“the Government needs to enforce that threshold properly, but we know this is not occurring and it is costing jobs”*

(See Attachment D.)

#### **Undervaluation of goods**

The Australian Customs and Border Protection Service (Customs) is responsible for compliance with the low value import threshold in relation to sea and air cargo and international mail.

## **Section 37 Disclose lawful methods and practices and Section 22 Not Relevant**

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<sup>1 1</sup> Frost and Sullivan Press Release, 20 July 2010 “\$A12billion Australian Consumer eCommerce Market Underdeveloped and Lags US and UK by Three Years” <http://www.frost.com/prod/servlet/press-release-print.pag?docid=207380860>

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**Section 22 Not Relevant**