Applying GST to low value goods imported by consumers

Q&A for release of Exposure Draft legislation

OVERVIEW

Currently, low value goods (that is, goods with a customs value of $1,000 or less) are generally not subject to GST when imported directly into Australia by the recipient.

Through this legislation, GST will be extended to low value goods imported by consumers in Australia from 1 July 2017.

The current $1,000 GST, duty and reporting import threshold will not be changed or lowered. Instead, GST will be collected through suppliers, electronic distribution platforms or goods forwarders under the existing registration system or a simplified system.

The intent is that low value goods imported by consumers will face the same tax regime as goods that are sourced domestically.

Vendors, electronic distribution platforms and goods forwarders will all need to account for GST on sales of low value goods to consumers in Australia if they are registered or required to be registered. The GST registration turnover threshold is $75,000.

These arrangements will be reviewed after two years to ensure they are operating as intended and to take account of any international developments.

WHO IS AFFECTED AND HOW?

Q: I am a consumer in Australia who buys goods from an overseas website or call centre. What does this change mean for me?

From 1 July 2017, when you buy low value goods online or by telephone from an overseas vendor you are likely to be charged GST of 10 per cent on your purchase, including delivery costs. The delivery of your goods will occur in the same way as happens now.

If you buy several goods together, they are delivered together and the total value of the goods is over $1,000, then GST and customs duties will apply to that importation at the border, as it does now.

Q: I am a business in Australia that buys goods from an overseas website or call centre. What does this change mean for me?

The cost of low value goods used solely in your business will remain unaffected. An Australian business registered for GST will need to inform the overseas vendor of its ABN to buy low value goods for use in the business, so that GST is not applied to the sale. If you are a business that is not registered for GST, you will be treated as a consumer and not be able to recover the GST paid, which is the same as what happens for goods you purchase in Australia.

Q: I am an overseas supplier that sell goods to consumers in Australia. What does this change means for me?

If you sell less than $75,000 of low value goods to consumers in Australia (or other supplies subject to GST) per year you will not be required to do anything. However, if you sell $75,000 or more of low value goods to consumers in Australia (or other supplies subject to GST) per year, such as through your website or call centre, then you will be required to register for and pay GST on those sales.

Q: I am an Australian based outlet, website or call centre that sell goods to consumers in Australia. What does this change mean for me?

If the goods you sell are already subject to GST then you don't need to do anything. Overseas websites or call centres that may compete against you will be required to register and pay GST on their sales, if they sell $75,000 or more of low value goods to consumers in Australia (or other supplies subject to GST) per year.

Some businesses are operated in Australia, but goods that are purchased from these businesses are stored and then shipped to consumers from an overseas warehouse. Currently, many of these transactions involving low value goods stored overseas do not incur GST. However, the new rules will mean these businesses are responsible for remitting $1/11^{th}$ of the sale price to the ATO if the goods are shipped into Australia.

Q: I run an electronic distribution platform. What does this change mean for me?

You will be identified as an electronic distribution platform (EDP) if you provide a service (e.g. a marketplace website) that allows entities to make supplies available to end-users and is delivered by means of electronic communications.

An EDP will be liable for GST for supplies made through it if it facilitates the sale of $75,000 or more of low value goods to consumers in Australia (or other supplies that are subject to GST) per year and it is unable to exclude itself by satisfying certain requirements.

In general, the requirements that must be satisfied for exclusion are that: (a) a document is issued to the customer that identifies the supplier and the supply; and (b) the EDP and the entity supplying through the platform have agreed in writing that the entity is liable for paying GST; and (c) the EDP does not authorise charging of the customer or delivery to the customer and does not set any of the terms or conditions of the transaction.

An example of a marketplace website that is not liable for GST for supplies made through it is a website that simply advertises goods for sale but which does not set any of the terms and conditions for those sales.

An EDP that is liable for GST will be required to register for and pay GST on sales facilitated through the EDP of low value goods (including shipping and insurance) to consumers in Australia. Vendors that make supplies which are already subject to GST under the current rules will remain responsible for GST on these sales.

Q: I am a business that provides an overseas address for Australian consumers to have their newly overseas purchased goods sent to, and I then re-send those goods to the consumer's address in Australia. What does this change mean for me?

The goods forwarder rules will impose GST liability on an entity (the goods forwarder) where the entity has entered into an arrangement with the recipient of the goods (usually a consumer in Australia) and, as a result, the entity takes delivery of goods in a country other than Australia and then facilitates delivery to the recipient in Australia.

A consumer in Australia will engage the services of a goods forwarder for many reasons, for example, because the overseas supplier does not deliver goods directly to Australia.

If the goods forwarder facilitates delivery of $75,000 or more of low value goods to consumers in Australia (or other supplies that are subject to GST) per year, it will be required to register for GST and pay GST on the sum of the value of deliveries of low value goods delivered to consumers in Australia, plus the value of its services.

Q: I operate an international air cargo company and deliver parcels to Australia. What does this change mean for me?

Unless you were engaged by a consumer, you will not be liable for GST on low value goods imported by consumers in Australia.

When you contract with an overseas supplier of low value goods, you will need to collect additional data from the overseas supplier (e.g. the vendor registration number where the supplier is registered for GST in Australia) and include that data in relevant import declarations in relation to low value goods delivered to Australia.

The additional data made available through this process, along with data already collected upon importation of goods, will be provided to the ATO to assist in assessing compliance with the measure.

HOW DOES IT WORK?

Q: What does the vendor, electronic distribution platform or goods forwarder need to do?

The first thing one of these entities will need to do is assess whether they are required to register for GST. They will be able to choose between a new streamlined limited registration (as also applies for offshore supplies of digital products and services) or full registration. The streamlined limited registration system is under development, but further details can be found at www.ato.gov.au/AusGST

If they have more than $75,000 of sales of low value goods to consumers in Australia (or other supplies that are subject to GST) per year, they will have to register with the ATO and pay GST on these sales. It is expected they will pass this cost on to consumers by increasing the cost of each low value good, and any shipping or insurance, by ten per cent. They will be required to pay the GST to the ATO four times per year.

Q: How is the $75,000 registration threshold calculated?

Businesses will be required to register for GST if their GST turnover in Australia exceeds $75,000 (which will include sales of low value imported goods). However, if they do more than $75,000 of sales into Australia, but some of these sales are through an electronic distribution platform (a digital marketplace) and the balance of their direct sales is $75,000 or less then they will not be required to register for GST. Instead, the electronic distribution platform will register for and charge GST, provided it has more than $75,000 of Australian turnover.

Q: How is GST applied by the vendor, electronic distribution platform or goods forwarder?

GST is applied on each taxable low value item and any shipping or insurance connected with that purchase.

Example: Blueco (which sells over $75,000 of goods to Australia) sells an item to a consumer in Australia for $160, including shipping and insurance. Blueco will be required to remit $1/11^{th}$ or $14.55 to the ATO in relation to this sale at the end of the reporting period.

Other examples are provided in the draft Explanatory Memorandum.

Q: How are GST-free goods treated?

GST-free goods will not attract GST regardless of how they are purchased. For more information on ATO rulings and determinations relating to GST-free goods see: https://www.ato.gov.au/Business/GST/When-to-charge-GST-(and-when-not-to)/GST-free-sales/