

Using financial intermediaries to collect GST on online purchases

4 June 2012

- The Productivity Commission considered the use of financial intermediaries to collect GST on online transactions in their inquiry on the *Economic Structure and Performance of the Australian Retail Industry*. The Commission sought information from financial intermediaries on the feasibility of this and concluded that the current system for processing payments does not easily facilitate such an approach.
 - In its submission to the inquiry Visa reported that the information it receives for processing transactions does not contain the level of detail necessary to determine any GST liability. Visa was also concerned that requiring it to collect GST would expose it to legal and reputation risk if it attempted to erroneously collect GST.
- The application of GST to online purchases is currently being considered by the Low Value Parcel Processing Taskforce (the Taskforce) in its investigation of the processing of low value imports. The terms of reference allow the Taskforce to consider alternative arrangements for revenue collection, including financial intermediaries undertaking this role. The Taskforce's interim report, released on 30 March, does not explicitly consider this as an option. The Taskforce is due to provide its final report to Government by July 2012.
 - In the course of its investigations the Taskforce consulted with Visa. We understand that the Taskforce was told that there is insufficient information for it to apply the GST to transactions.
 - The ATO recently submitted a proposal to the Taskforce that required financial intermediaries to collect GST on online purchases. We understand that the Taskforce will consider this as it develops its final recommendations.
 - : This proposal deals with the problem by imposing GST on the financial transaction used to pay for goods or services purchased outside of Australia. It does not impose a tax directly on the goods or service.
 - : The proposal would not tax online acquisitions from an Australian retailer based offshore where the purchaser paid Australian currency and was treated as the importer of the good or service.
 - : The proposal raises a number of difficulties in appropriately targeting transactions that should be subject to GST.
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