POSSIBLE RESULTS FROM THE LOW VALUE PARCEL PROCESSING TASKFORCE

BACKGROUND

Goods imported into Australia (including online purchases and gifts but excluding alcohol and tobacco) valued at less than $1,000 are not subject to customs duty, GST, Customs and AQIS charges and are subject to a lower level of reporting to Customs.

Prior to the commencement of the Customs Integrated Cargo System in 2005 there were two different low value thresholds for the formal requirements for clearance of goods. For air and sea consignments the threshold was $250; for postal consignments the threshold was $1,000. In addition, where goods were not required to be formally cleared, they were exempt from duty/sales tax/GST where the amount payable was less than $50 (in effect a further threshold of $550, inclusive of tax). This $50 minimum threshold was introduced in 1991 (previously it was $20). The concession minimised delays in delivering mail and cargo, reduced the cost of importing low value consignments and took account of the costs of collection of duty and taxes.

Following a complaint by air and sea cargo carriers that the different threshold placed them at a competitive disadvantage in 2005 the threshold was set at $1,000 for the air and sea cargo streams as well as postal items.

This threshold is high by international standards - see table in the attachment "Experience with low value thresholds in other countries".

The threshold was considered in the Board of Taxation's 2009 *Review of the Application of GST to Cross-Border Transactions*. The Board was of the view that it was not administratively feasible to try to bring non-resident supplies of low value goods and services into the GST system at that time. In the 2010-11 Budget the Government accepted the Board's recommendation that the $1,000 threshold was appropriate.

Controversy over the threshold grew in late 2010 due to overall declining consumer demand for traditional retail supplies which was attributed in part to increasing online purchases from offshore. Retailers claim that the low value threshold is a major factor driving the growth of offshore online purchases and that the threshold places them at a competitive disadvantage. However, consumers claim that shopping online gives them access to a greater range of goods, is often more convenient and that price differences are often much larger than can be attributed to the threshold.

In December 2010, the Government directed the Productivity Commission to examine the economic structure and performance of the Australian retail industry including the sustainability and appropriateness of the current indirect tax arrangements.

The Commission found the low value threshold is not the main factor affecting the international competitiveness of Australian retailers. The Commission also found that with current parcel volumes and processing costs, removal of the threshold would generate revenue of around $600 million at a cost of well over $2 billion borne by business, consumer and government and that under most scenarios for reducing the threshold compliance and administrative costs outweighed the revenue gain. Nevertheless, it found there are strong in-principle grounds for the threshold to be lowered significantly but it should not be lowered until it is cost-effective to do so. The Commission noted that imported services such as music and other digital downloads are generally not subject to GST.

The Commission recommended a taskforce should examine ways to significantly improve the processing of low value imports. Once an improved international parcels process has been designed the Government should reassess the extent to which the threshold could be lowered while remaining cost-effective. In December 2011, the Government appointed the Low Value Parcel Processing Taskforce to investigate options to improve the efficiency of processing low value imported parcels. The Taskforce is expected to report on about 31 July 2012.

CURRENT PROCESS

The current process for collecting tax from international mail items is manually intensive and inefficient. In brief, the process is:

- International mail parcels arrive in Australia through a 'gateway'. All parcels are placed onto conveyor belts.
- Customs physically assess parcels to determine if a revenue liability is due. Out of the 40 million total mail parcels, Customs is required to physically check approximately 20 million for revenue and other border risks. When Customs identifies a parcel valued over $1,000 it removes the parcel from the conveyer belt and refers the item to Australia Post.
- Australia Post enters details of the addressee into a computer system. This generates a letter informing the addressee that Customs requires a full import declaration (FID) for the parcel. FIDs are complex to complete and require specialised knowledge such as tariff codes. When the letter is received, the addressee completes the FID form and posts it to Customs.
- When Customs receives the complete FID form, it manually enters the information on the FID into the integrated cargo system (ICS), calculates the liability due and posts the addressee a notice that a liability is due and must be paid.
  - While this process is underway the good is physically stored by Australia Post in secure storage at the gateway.
- When the addressee has met their liability, the parcel is released for delivery. Australia Post then delivers the parcel like any other mail item.

Around 18,000 items are processed in this manner each year. Any reduction in the threshold without first updating this process would be unworkable, due to the large expected increase in the number of items that would need to be manually processed.

- For example, an immediate lowering of the threshold to $800 would increase the volume of parcels required to be processed in this way to around 150,000 per annum.

FOCUS OF THE TASKFORCE

The main focus of the taskforce report is expected to be on ways of improving the handling of parcels, particularly in the international mail stream where most low value goods arrive. This would reduce the costs of collecting revenue under the existing model where the recipient of the item (ie the consumer) is responsible for the payment of any duties and charges at the point of importation. As part of this process the taskforce is likely to consider options for the prepayment of GST and any other charges by importers (who may be either GST-registered businesses, non-registered businesses or consumers) to enable parcels to continue to move through the gateway without the delays which would result from holding parcels or waiting for payment.

Due to the complexity and costs associated with assessing customs duty, we anticipate that the taskforce will recommend splitting the thresholds for GST and customs duty. The remainder of the options analysis is undertaken with the assumption that only GST is charged on low value imports.

The options canvassed below are not mutually exclusive and some or all could potentially be part of a package of measures. We expect the taskforce report will outline a reform package. In sum, these are aimed at reducing the overall costs of collecting revenue by reducing the cost of processing at least a significant proportion of parcels and thereby reducing the proportion of parcels requiring more intensive effort to process. Such a package would need to be implemented over time as new systems are developed and deployed and use of new technologies such as pre-arrival electronic data provision become more widespread amongst those countries sending items to Australia.

The new processes could also provide benefits for other import related processes such as screening for prohibited items and biosecurity risks.

Options to modify the existing arrangements the taskforce may recommend include:

- Option 1 (Data interchange): A simplified and automated assessment processes for GST (not duty) in relation to low value imports including use of pre-arrival electronic data (as it becomes available) to assess GST (and assess other risk factors) in the international mail stream.
  - Assessment of GST could be simplified by not attempting to capture the cost of transport and insurance in the value of the goods and assessing the goods at declared value (with subsequent compliance measures).
  - This option would be enhanced by allowing for Australia Post and couriers to be responsible for the payment and collection of taxes from importers allowing these items to continue through the gateway to their final destination without delays while awaiting payment. Australia Post could charge a fee for this service.
  - The availability of pre- arrival data will depend upon initiatives being developed by the Kahala Group — an international alliance of postal organisations including Australia Post — which will be implemented over time, likely commencing 1 July 2014.
  - *<u>Example</u>: Under this arrangement, Customs would receive information on mail parcels prior to their arrival in Australia. A consumer in Australia would be sent a letter, or email where possible, informing them that a liability is due. The liability could be paid over the internet or in person at a post office. The package would be stored at the local mail centre or post office and either delivered to or collected by the recipient.*
    - : Information on air cargo entering Australia is already available prior to the arrival of the goods. This option may generate efficiencies in processing these parcels, if the courier companies were linked into the same computer system.
- Option 2 (Register): Encouraging registration of regular importers (including consumers as well as businesses) for automatic debiting of taxes and charges by Customs/Australia Post/carriers once these are assessed (allowing these items to continue through the Gateway without delay).
  - Regular online purchasers could register for a unique identifier number and prepay any tax and charges. This would need to be effectively identified on their packages, so any system would need an effective means of transferring the identifier from an online system to the package when dispatched by the supplier.
  - *<u>Example</u>: Prior to ordering a good online, a consumer would register their details with Customs to allowing automatic debiting of their bank account. When the goods arrived in Australia, Customs would identify that the consumer had logged their details with Customs and automatically debit their bank account. There would be no need to send a letter or further store the package, it would be delivered immediately.*
- Option 3 (Self-assess): Self-assessment and prepayment of GST and charges by the importer prior to the arrival of the item through a web based application.

– The importer would need sufficient information to determine whether the good was subject to GST.

– Again, there would need to be an effective means of identifying "GST paid" parcels at the border to avoid delays and double taxation.

– *<u>Example</u>: This is similar to the previous example, however instead of allowing Customs access to their bank account, the importer would pre-pay the tax due, based on their own self-assessment. If the correct amount is provided the package would be delivered as soon as it entered Australia.*

- Option 4 (Supplier pays): Collection and remittance of GST by suppliers on behalf of the importer – where the supplier voluntarily registers for GST and is liable for the GST and any related import processing charges. The supplier then assesses, collects and remits these and includes them in the price of the goods provided. Some companies such as Amazon already provide a similar service to customers in some countries (see 'Amazon Model' below).

  – Provision of this service could be encouraged because it provides fewer delivery delays, greater convenience and possibly lower processing fees for the customer. These would give the registered supplier a competitive advantage, provided that it is not easy for customers to avoid these GST and charges through the alternative of using an unregistered supplier.

  – Again, there would need to be an effective means of identifying "GST paid" parcels at the border to avoid delays and double taxation.

  – *<u>Example</u>: If an overseas online store had voluntarily registered, a consumer ordering goods online would be required to pay GST at the online stores' checkout. The online store would remit the tax on the consumer's behalf. When sending the parcel, the online store would indicate on the package that tax had been paid. When the goods entered Australia, Customs would identify this and the parcel would be delivered immediately.*

- Option 4a (Supplier obligated to pay): Option 4 could be expanded to require <u>all</u> businesses that ship goods to Australia to register and remit GST. There are two methods by which this could be achieved:

  – all businesses could be required to register and remit GST on their low value sales to Australia (or alternatively a turnover threshold could be used); or

  – businesses shipping specific types of goods, such as sporting equipment and books, could be required to register and remit GST. This is similar to the treatment of publications in Canada that is discussed in Attachment A under 'GST pre-paid'.

  – Non-residents perceive the existing registration as onerous and enforcing compliance is problematic.

- Option 4 and 4a have implications for Australian businesses that operate as drop-shippers. In these situations, purchasers enter into supply of goods arrangements with Australian-based suppliers who then source the goods from outside Australia and send the goods directly to the purchaser from outside Australia.

  - : These are essentially domestic arrangements and may not be considered in the report.

- Australian-based suppliers, like overseas suppliers, currently have an incentive for imports to be seen at the border as low value consignments and therefore want an outcome that the ultimate purchaser's order is the transaction that is assessed at the border. Any proposal that creates an incentive for Australian-based suppliers to import the goods as a single import, as opposed to many low value consignments could assist in creating greater efficiencies at the border, as less individual articles will need to be processed.

- *Example: As previous, although all online stores would be required to register and remit tax.*

- Option 5 (Process changes): Recommendations to improve the efficiency of border processing by border agencies including improved work practices and removal of duplication.

  - This could include increased pre arrival risk assessment of parcels, reconfiguration of equipment at gateways, investment in new screening technologies and single inspections for a number of risks (revenue, border security, and biosecurity). These changes would have no discernible effect for the Australian consumer.

- Option 6 (Mail FID): Simplify the Formal Import Declaration (FID) process for postal imports. FIDs are currently required for postal imposts over $1,000. As noted above, they are labour intensive and there are considerable delays and double handling of data. Significant administrative and compliance cost savings could be generated by allowing these to be submitted online which would allow for automatic calculation and notification of liabilities.

  - *Example: Imports of goods by mail valued over $1,000 would be processed in a less manually intensive manner than that described in the 'current process' section of this paper.*

- Option 7 (Fees and charges): Reform of border agency fees and charges. Currently there are no charges imposed on parcels valued below $1,000 although there are costs involved in screening these items for border and biosecurity risks. A change to the GST threshold would provide an opportunity to reduce cross subsidies from higher value goods and better reflect cost recovery principles.

- Option 8 (Compliance): Increase compliance activity and review offence and penalty provisions. Whilst the 2011 compliance campaign conducted by Customs did not reveal widespread under declaration of the value of goods, any reduction in the threshold could provide greater incentives for such behaviour. There may be value in a greater compliance effort, a review of offences and penalties and increased community education around any reduction in the low value threshold.

- Option 9 (Statistics): Improve reporting of statistical information. Changes to the threshold together with greater use of electronic data capture should provide greater opportunities for collecting data on low value imports which could be provided to the ABS. In the 2012-13 Budget, the Australian Bureau of Statistics (ABS) was provided with new funding of $2.1 million over four years to monitor and report on online spending by Australian consumers. This will cover spending through both domestic and overseas websites, and will allow internet sales to be separately identified from sales through traditional "bricks and mortar" channels. We understand that this measure may be announced shortly by the Parliamentary Secretary.

The taskforce is also expected to report on some more 'radical' options for addressing the payment of taxes on imports. These include:

- Option 10 (Forex tax): A proposal developed by the ATO which would essentially place a 10 per cent tax on conversions of Australian dollars into foreign exchange by financial intermediaries processing payments by consumers. The tax would then 'mimic' the GST base by providing a refund of the tax in the following circumstances:

  – goods and services are consumed outside Australia (for example, accommodation in foreign hotels paid by Australians using their credit cards while travelling overseas);

  – goods which are not subject to GST such as some foods and medical aids and appliances; and

  – transfers of funds (for example, gifts or financial support paid by Australians to friends or relatives living overseas).

  We would not expect the taskforce to recommend this proposal. Whilst it overcomes some of the difficulties with proposals to require payment providers to remit GST on off shore purchases (see below) and would allow taxation of imported services (currently not subject to GST), it would be very difficult to effectively target the measure to capture the appropriate base. Payments for imported goods or services made in Australian dollars would not be covered and it could be difficult to capture all of the emerging forms of payment for online purchases. Accessing the refund mechanism for those items not subject to tax would impose a considerable and unjustifiable compliance burden on individuals. Refund mechanisms also provide considerable scope for fraudulent claims which would pose a substantial risk to the revenue.

- Option 11 (Deferral scheme): Extend the existing deferred import scheme to a greater number of GST registered businesses (enabling these businesses to account for GST on the import in their next BAS rather than at the point of importation).

  – This would likely involve a cost to revenue (due to timing considerations). It would benefit business importers rather than consumer importers but would reduce the number of items needing to be assessed and have revenue collected at the border.

- Option 12 (Financial intermediaries): A proposal for financial intermediaries such as credit card providers to collect GST on payments made for off shore purchases and remit these payments.

  We would not expect the taskforce to recommend this proposal. The Productivity Commission explored this option during the retail inquiry and noted that the current system for processing payments does not allow the identification of the components of a transaction needed to identify tax liability. The Commission was not aware of any jurisdiction which had adopted this approach.

- Option 13 (Tax return): A proposal for consumers and unregistered businesses to self-assess their liability for GST and/or duty on imports through the annual income tax return process or through direct payment to the ATO. This proposal was promulgated in the GST distribution review and was based on a model operating in the US.

  – The US experience with such a system was that compliance rates were extremely low and it is unlikely that the Taskforce (or Treasury) would recommend the adoption of such a system.

  – Similar approaches have been adopted in relation to importation of services in New Zealand, Canada and South Africa:

    : In New Zealand the value of imported services are taken into account when calculating if an entity is required to be registered, meaning that more of these services will be reverse charged. However, in practical terms this is unlikely to affect consumers (unless they import NZ$60,000 of services in one year).

    : In Canada and South Africa, unregistered importers of services are required to self-assess and remit the GST payable on imports of services. s45

The table on initial assessment of options below summarises the impacts of each of the options that could be presented by the Taskforce. The information in the table shows:

- Timeframe: This column shows an indication of likely timeframes for implementation. The ‘short’ column means that the implementation could be completed within two years; ‘long’ means that implementation would be infeasible in the next two years. In some situations implementation will be influenced by external factors, such as the availability of pre-arrival data that may necessitate a longer timeframe.

- Address Threshold: This column shows implementing the relevant option would facilitate a lower threshold. ‘No’ options may improve border efficiency; however in isolation they would not enable a lower threshold.

- Parties impacted: This column shows whether the option would principally affect the offshore supplier or the Australian recipient. Where neither is ticked, the option would mainly affect Customs, Australia Post and, to a smaller extent, air cargo carriers.

- Import Route: This column shows whether the option would affect postal or cargo imports.

Refunds of overpaid GST

Any new process that includes automation or pre-payment of GST liabilities for imported goods will need to be accompanied with a refund mechanism for situations when GST is overpaid.

Currently, all importers can apply to Customs to have their full import declaration amended and tax refunded. However, registered importers cannot obtain a refund if they claimed an input tax credit and importers on the deferral scheme cannot access a refund unless it results in a credit being shown on their running balance account.

Refunds are not available for goods that are returned overseas. If the goods are replaced or repaired then the importation is non-taxable.

Costing of options

We understand that the Taskforce has engaged a consulting firm to cost those options it considers are feasible. The magnitude of those costs will depend on the level of the threshold. A lower threshold will create a larger cost, although the average cost per item may lower. It is likely that at least some of the components of a package will require some upfront investment as well as ongoing administrative costs.

We will not have information on what these costs will be until the taskforce has provided its final report. We anticipate that the taskforce package as a whole could require an upfront cost in the order of $50 million. Individual elements of the package would have a lower cost.

Initial assessment of options

	Timeframe		Address Threshold		Parties impacted		Import Route	
Option	Short 1-2 years	Long 2+ years	Yes	No	Overseas supplier	Australian Recipient	Mail	Cargo
1: Data interchange	✓		✓				✓	✓
2: Pre Register	✓		✓			✓	✓	✓
3: Self-assess	✓		✓			✓	✓	✓
4: Supplier pay	✓		✓		✓		✓	✓
4a: Supplier obligated to pay	✓		✓		✓		✓	✓
5: Process changes	✓			✓			✓	
6: Mail FID	✓			✓		✓	✓	
7: Fees and charges	✓			✓		✓	✓	✓
8: Compliance	✓			✓			✓	✓
9: Statistics	✓			✓			✓	✓
10: Forex tax		✓	✓			✓	✓	✓
11: Deferral scheme		✓	✓			✓	✓	✓
12: Financial intermediaries		✓	✓			✓	✓	✓
13: Tax return	✓		✓			✓	✓	✓

Timeframes for implementation

The taskforce has been asked to provide “expeditious time frames for implementation”.

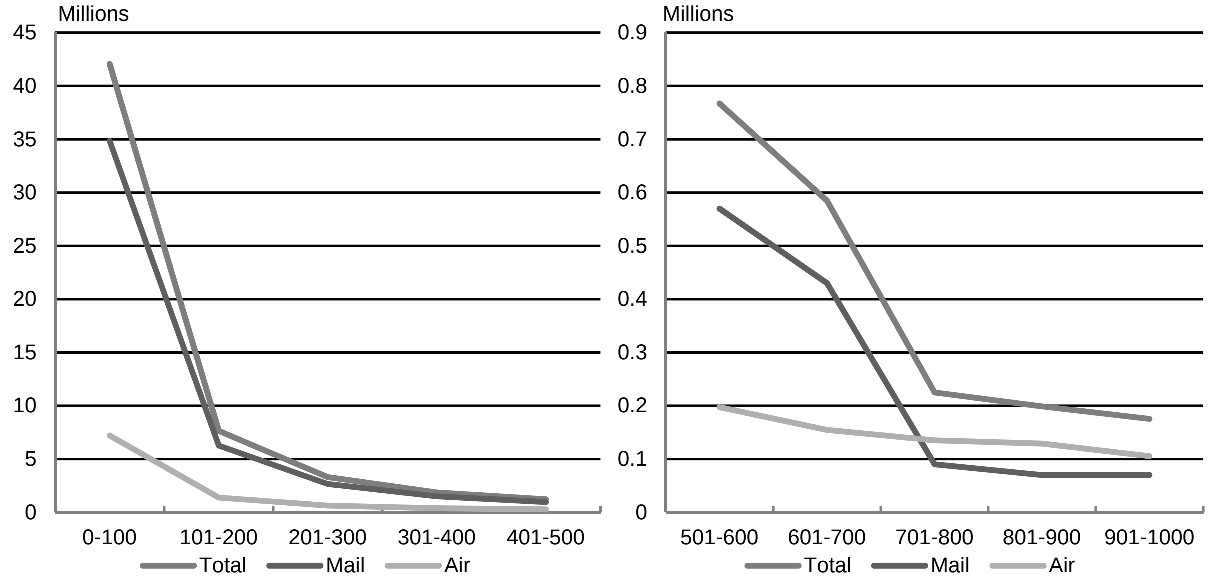
Some of the elements of a package of measures the taskforce is likely to propose will be able to be implemented within a relatively short time frame. Others are reliant on the adoption of new technologies and practices by postal authorities in other countries or other third parties which may take some time.

This suggests that the proportion of incoming parcels under $1,000 in value potentially requiring intensive and relatively costly handling to collect revenue would be very large initially, put the proportion should decrease over time if and when new technologies are introduced. If that is the case it would suggest that a staged approach to any reduction in the threshold would be preferable in order to keep the volumes manageable and limit any consumer backlash. For example, the threshold might be initially reduced by some amount and then gradually further reduced in increments as new systems were put in place or the level of utilization of those systems increased. This could be accompanied by setting a target threshold to be achieved over time with this target based on a achieving at least a net neutral outcome for revenue and costs, including compliance costs.

Any reform of import processing will likely take years, rather than months to implement. For instance, Canada has embarked on a process to modernise its postal handling process. This has not been driven by pressures to change their threshold but pressure to improve the efficiency of its import processing. Canada has had a $20 threshold since the implementation of it GST regime in 1991. This reform is expected to take up to 8 years in total to complete.

LOW VALUE PARCELS ENTERING AUSTRALIA

To give some indication of the magnitudes involved, the attached graphs and tables show the number and value of parcels in $100 increments between $0 and $1,000. Due to the large variability in volumes, the information has been split between two sub-graphs: one for items below $500 and on for items about $500.



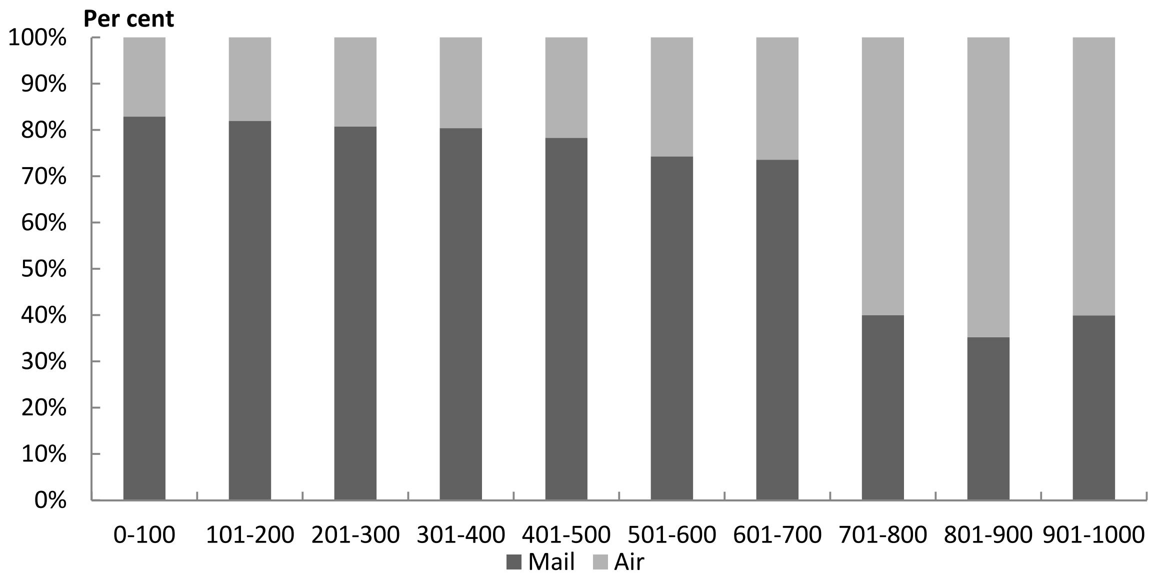
Number of low value imports by value (2010-11)[1]

The graph above describes the distribution of low value air cargo and international mail parcels entering Australia between July 2010 and June 2011. The graph indicates that international mail is the most used channel for low value parcels entering Australia. The above graph excludes sea cargo for which parcel value data is not available. Sea cargo accounts for less than 1 per cent of low value parcels entering Australia during this period and therefore its exclusion does not materially affect the analysis.

The data indicates under current volumes if the threshold were changed to $800, less than 1 per cent of international parcels (excluding sea cargo) below $1,000 would be impacted by the reduced threshold. If a threshold of $100 were adopted, this would result in some 28 per cent of low value international parcels being stopped at the border for customs clearance. This information is represented in the table below and takes no account of potential behavioural changes, for example consumers breaking a previously large single acquisition into multiple smaller acquisitions.

Proposed threshold	**Percentage impact**	**Number of total parcels impacted (millions)**	**Number of international mail parcels impacts (millions)**
$100	8%	15.98	13.24
$200	14%	8.33	6.83
$500	3%	1.95	1.53
$800	<1%	0.37	0.15

[1] Source: Productivity Commission Report into Retail Industry (Tables 7.3, 7.4)

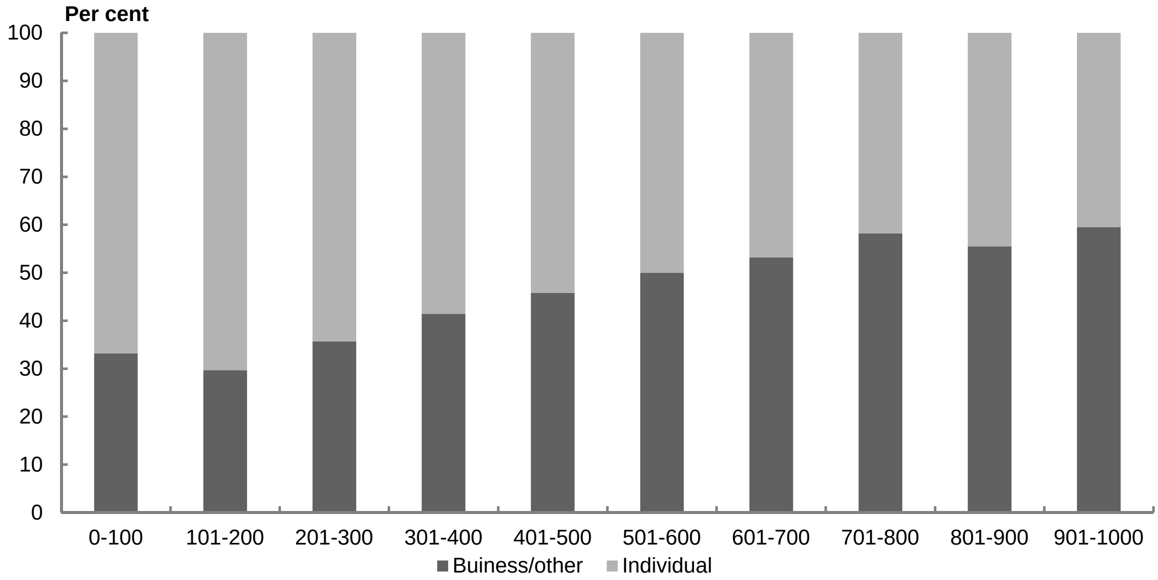


Proportion of low value goods imported by mail and air cargo by value (2010-11)

The above graph shows that international mail is the dominant method for low value international parcels entering Australia. For parcels worth more than $700 (approximately 1 per cent of total traffic) air cargo is used slightly more than international mail. However, to put this in context, under current volumes, a reduction in the threshold to $800 could result in an overall increase of 370,000 parcels requiring Customs intervention to collect revenue which would represent a significant increase in Customs compliance activities and costs.

For comparison, in 2010-11 approximately 18,000 international mail parcels entering Australia were worth more than $1,000 and required to be processed by Customs. An increase in the number of mail parcels subject to Customs clearance to 150,000 would result in a more than an eight fold increase in the number of mail items requiring Customs clearance.

In terms of the composition of imports, the below graph shows estimated proportions of business and individual recipients for air cargo. Overall, approximately 45 per cent of air cargo is delivered to businesses. The proportion delivered to businesses increases relative to the value of the imports.



Proportion of value of air cargo delivered to business and individuals (2010-11)

Detailed data for the recipient of international mail items is not available. The Productivity Commission noted that the proportion of mail parcels being delivered to businesses was lower than for air cargo and used 10 per cent as an estimate for their analysis. We believe that this assumption is appropriate.

Section 7(2) - Schedule 2 - Part II - Division 1

Why do other countries have lower thresholds?

- Thresholds in most other countries have long been historically low compared with Australia

  - Prior to the increase to $1,000 in 2005 Australia's threshold was $250 for postal imports and $1,000 for all other imports. The change to $1,000 was to achieve competitive neutrality between Australia Post and other cargo carriers.

- We are not aware that other countries have undertaken any cost/benefit or economic welfare analysis of their thresholds.

  - It is likely that if such analysis were undertaken it would equally show that administration and compliance costs may exceed revenue collected.

    - In an OECD survey initiated at the request of the Productivity Commission few countries indicated that they had assessed the revenue collection costs for low value imports. s45

    - Canada embarked on a process in 2007 to streamline parcel handling in order to reduce costs whilst maintaining its existing low threshold.

- Whilst there is little reliable data it may be the case that the volume of international parcels coming to Australia is much higher (on a per capita bases) than those faced by postal authorities in other countries.

  - For example, for EU countries, parcel coming from other member States are not subject to VAT at the border.

  - Australia appears to be a large market for many overseas websites including Amazon, ASOS and Wiggle. For example, ASOS reports in its financial reports that Australia is its largest market outside of the US and EU. These sites explicitly target Australia in their advertising and promotion.

- Information on the volumes of low value imports in the UK and Canada is included in Attachment A.

WHAT THE TASK FORCE IS NOT DOING

Thresholds

We do not expect that the taskforce will make any recommendations concerning the appropriate level of the threshold and the Government has previously stated that it will reassess the threshold once the new arrangements are in place. However there is likely to be pressure for some announcement concerning the future of the threshold shortly after the Government receives the report.

While we do not expect the taskforce to explicitly consider the appropriate level of the threshold it may do so indirectly. Assessing the various compliance regimes is likely to require some consideration of the impact of the volume of parcels anticipated at various levels of the threshold, which may give some indicators of feasible levels at which the threshold may be set. As noted above, this volume could decline over time as new technologies are adopted and new processing procedures can be put in place.

In addition the options the taskforce is proposing are predicated on an assumption that the parcels would only be assessed for GST and not customs duty. Our view is that any meaningful reduction in administration and compliance costs compared with the current process for parcels above the threshold would only be achieved if the threshold for customs duty, and the associated reporting requirements, is not reduced.

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Attachment A

EXPERIENCE WITH LOW VALUE THRESHOLDS IN OTHER COUNTRIES

This table reports the thresholds for GST/VAT for countries in the OECD.

	Currency	Threshold in Local Currency	Threshold in USD*
Australia	AUD	1 000	642
Austria	EUR	22	26
Belgium	EUR	22	25
Canada	CAD	20	16
Chile	CLP	0	0
Czech Republic	EUR	22	39
Denmark	EUR	10	10
Estonia	EUR	22	41
Finland	EUR	22	23
France	EUR	22	25
Germany	EUR	22	28
Greece	EUR	22	31
Hungary	EUR	22	49
Iceland	ISK	0	0
Ireland	EUR	22	26
Israel	ILS	0	0
Italy	EUR	22	28
Japan	JPY	10 000	94
Korea	KRW	150 000	182
Luxembourg	EUR	22	24
Mexico	USD	300	300
Netherlands	EUR	22	26
New Zealand	NZD	400	263
Norway	NOK	200	21
Poland	EUR	22	49
Portugal	EUR	22	35
Slovak Republic	EUR	22	42
Slovenia	EUR	22	35
Spain	EUR	22	31
Sweden	EUR	22	22
Switzerland	CHF	62	41
Turkey	TRY	0	0
United Kingdom	GBP	15	23
United States	USD	-	-

* Amounts are converted into USD at Purchase Parity Rates

POSTAL PROCESSING IN CANADA AND THE UK

Canada: Both the Canadian Border Services Agency (CBSA) and Canada Post (CP) are involved in collecting revenue from postal imports. s45
s45

UK: Processing of postal imports in the UK is undertaken by Her Majesty's Revenue and Customs (HMRC) and Royal Mail (RM). s45
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We expect that the taskforce will consider several aspects of these international systems in its final analysis. Notably:

- the use of more automation and less double handling;
- allowing Australia Post to pre-pay the tax due on behalf of the importer; and
- giving Australia Post the ability to charge a fee to recover its costs in the tax collection process.

Both the UK and Canada provide systems for certain overseas sellers to prepay the tax due on their sales.

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[2] HMRC Notice 143.

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'AMAZON MODEL' PREPAYMENT OF GST BY THE SUPPLIER

Some non-resident suppliers, such as Amazon (UK) and Bloomingdale's (USA) either prepay the GST and duty on goods ordered online from their stores or, like Bloomingdale's, give the Australian consumer the option to pay the GST and duty to the courier upon delivery. This applies to orders from countries where the value of the supply exceeds the county of destinations import threshold. Other suppliers such as StrawberryNet (UK) note that most countries do not charge GST or duty on small packages, however, they offer to reimburse customers for any GST or duty paid.

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These arrangements often give rise to difficult GST interpretation issues; however, for current purposes we have assumed that the supplier is not the importer of the goods but rather the customer is. Amazon (UK) specifically state in their terms and conditions of sale that the customer agrees:

- To Amazon designating a carrier to act of the customer's behalf with the relevant tax authorities;
- Title and risk of loss transfers to the customer once Amazon delivers the goods to the carrier;
- The customer agrees to be the importer of record and liable for all import fees;
- Amazon to collect an estimate of the import fees (including GST and duty) to reimburse the carrier for the payment of import fees they make on your behalf; and
- The carrier may disclose actual fees paid to Amazon and where these are less than the amount collected, Amazon will refund the customer.

Amazon (UK) offers this service to 26 countries, for example: NZ, Mexico, Saudi Arabia, Norway, Hong Kong.

While not obliged to offer this prepayment service, it has been suggested the business imperative of doing so is to provide the customer with a seamless door-to-door service rather than the customer having to complete the importation formalities and pay the GST and duty at the border prior to taking possession of the goods or alternatively having to engage a third party such as DHL or FedEx to do this on the customer's behalf (at an additional cost).

This approach seems to be confined to large non-resident suppliers, presumably due to the costs associated with maintaining such arrangements.

In adopting the Amazon model Australia would need to overcome the following difficulties:

- How to enforce compliance with Australia's requirements on non-resident suppliers, in particular smaller suppliers and those from countries with more liberal trade regimes;
- It would be necessary to establish a mechanism to receipt such payments (for example, require these non-resident suppliers to register in some fashion with the ATO); and
- Develop new processes for dealing with refunds of overpaid GST and duty where this may arise from the non-delivery, cancellation or return of the goods by customers.

For example, non-residents making taxable or GST-free supplies over $75,000 for businesses, or $150,000 for not-for-profits, in a 12 month period are currently required to register and account for GST on their taxable supplies in Australia. However, we understand that there are few non-residents that have actually registered, either because they are unaware of their obligations or because they have chosen not to comply. However, where the customer is the importer, the goods would not fall within these thresholds.

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