

TREASURY EXECUTIVE MINUTE

Minute No.

2 August 2012

Deputy Prime Minister and Treasurer

Assistant Treasurer, Minister Assisting for Deregulation

**FINAL REPORT OF THE LOW VALUE PARCEL PROCESSING TASKFORCE:
HANDLING STRATEGY**

Timing: No particular deadline but there may be pressure, particularly from the retail sector, for an early response to the report.

Recommendation/Issue:

- That you note the key recommendations of the report.

Noted

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Agreed/Not Agreed

Signature:

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KEY POINTS

- The final Report of the Taskforce was provided to the Government on 31 July. The key recommendations are summarised in Additional Information.
- The report indicates that there is no immediate solution to the problem of processing large numbers of low value imported goods in a way which would permit the cost effective collection of revenue. However, the report outlines a number of changes which can be made to the processing of parcels and revenue collection mechanisms, particularly in the international mail stream. Over time these would reduce the cost of handling goods and collecting revenue which may make some reduction in the low value threshold in relation to GST (but probably not customs duty) feasible.

- The report makes no recommendation as to the appropriate level of the GST threshold but recommends a staged introduction of simplified GST assessment arrangements to ensure a smooth and efficient transition.
- The report suggests that there will be significant capital costs associated with changing the threshold level; for example a small reduction in the threshold is likely to involve capital costs for Australia Post of the order of \$20 million and a larger reduction in the threshold over \$100 million.

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- The following areas have been consulted in the preparation of this minute: ATO, Customs, DBCDE.

General Manager
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ADDITIONAL INFORMATION

Key Recommendations

The key recommendation of the report is that any implementation of reforms to the handling and administration of low value imports of goods, including an option for revenue collection should ensure that:

- reforms with respect to the application of GST to low value goods be undertaken in conjunction with reform to border processes in the international mail environment; and
- reforms occur in a staged manner having regard to the volume of goods to be processed, the availability of data in the international mail stream and the costs associated with manual capture of data. (Rec 5.1)
 - The taskforce reports that pre-arrival data will begin to be available in the international stream from 1 July 2014. This depends on international cooperation so it may be delayed. Manually capturing this data is likely to be costly. The volume of goods required to be processed will increase with any reduction of the threshold, and the volumes will continue to grow over time.

The recommendations of the report with the most potential for application in the relatively near future are as follows:

- The customs duty and GST low value thresholds be separated to facilitate more efficient handling processes including revenue collection. (Rec 3.3)
- Simplified GST assessment arrangements should apply to low value imported goods, such as not including transport and insurance costs and relying on declared value to calculate GST liabilities (subject to compliance measures). (Rec 3.4)
- Modifications to existing processes including:
 - better data capture arrangements, including electronic exchange of pre-arrival data by Australia Post and Customs;
 - requiring Australia Post and other freight forwarders to be responsible for collecting and remitting the revenue liability;
 - permitting clearance of goods from licensed depots or international gateways prior to the remittance of revenue liabilities (subject to appropriate guarantees); and
 - permitting entities including Australia Post to recover revenue collection costs from importers. (Rec 4.1)
- Developing a centralised on-line system to allow importers, including consumers, to preregister for direct debit of revenue liabilities. (Rec 4.2)
- Amending legislative arrangements to enable and encourage appropriately regulated overseas suppliers to collect GST from purchasers of low value goods at the time of purchase. (Rec 4.3)

- Developing a web interface to enable electronic completion of import declarations (which are currently handled manually). (Rec 4.5)
- Applying border agency charges to any goods below \$1,000 which become subject to GST. (Rec 4.6)
- Periodic testing by Customs to assess levels of under valuation in relation to low value imported goods, a review of offence and penalty provisions to ensure that they are appropriate to the growth in low value imports and any changed processes and additional funding for Customs to undertake compliance and enforcement activities. (Rec 4.8)

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