

QUESTION TIME BRIEF GST ON ONLINE OVERSEAS PURCHASES

Current Low Value Import Threshold	GST is not charged on imports of goods valued at \$1,000 or less
Volume of Low Value Imports at the Border	100 million items valued under \$1,000 on an annual basis (98 per cent of items having a value below \$500 and 88 per cent valued below \$100)

COALITION ACTION:

- The Treasurer has committed, as a matter of priority, to work with state and territory governments to determine whether there is a cost-effective way to administer a significant reduction in the current low value threshold. (*Treasurer's letter to Mike Baird, 22 October 2013*)
- The National Party's 2013 National Platform stated that it would review the impact of internet trading on regional small business by reviewing the duty and GST exemption for imported goods valued less than \$1,000, including the practicality of a \$20 threshold.

KEY QUOTES:

Spokesman for Joe Hockey:

A spokesman for Treasurer Joe Hockey said a Treasury working group is evaluating the impact of a lower threshold, and will report in coming months. But he cautioned that a Productivity Commission inquiry last year found the cost of enforcing a lower threshold could be greater than the revenue collected.

(*Source: Sydney Morning Herald: WA Premier will keep up fight for GST increase despite PM's rebuff, Tim Colebatch, 21 September 2013*)

Assistant Treasurer:

While NSW Treasurer Mike Baird said last Sunday that he wanted GST applied to more online purchases, Senator Sinodinos indicated no rush on the issue, given previous warnings that the cost of administration could exceed the revenue to be gained.

(*Source: The Australian: Forcing a 'lean, mean economy', David Crowe, 26 September 2013*)

Spokesman for the Prime Minister

"The GST won't change, full stop end of story"

(*Source: The Australian: Tony Abbott dismisses fresh push to re-examine the GST, Lauren Wilson, 20 September 2013*)

NARRATIVE:

- GST is not charged on imports of goods valued at \$1,000 or less under the current 'low value threshold'.
- The threshold was examined by the Productivity Commission in 2011.
 - The Commission found that although the threshold was not the main factor affecting the international competitiveness of Australian retailers, there are strong in-principle grounds for it to be lowered significantly on the basis of tax neutrality.
 - However, it recommended that the threshold not be lowered until it is cost effective to do so.
- It is not cost effective to lower the threshold under existing processes, due to the sheer volume of imported items which would need to be examined.
- An Inter-Departmental Advisory Committee is due to report to the Government shortly on a fully costed business case and possible implementation plans for reforms to low value parcel processing, which may enable a reduction in the threshold. The Committee has consulted with key stakeholders, including the States and Territories, retailers and the cargo industry in developing the business case.
 - The Government will consider the Committee's findings before making any decision regarding this threshold.
- Many Australian retailers consider that the current threshold places them at a competitive disadvantage, noting the strong growth in online shopping with overseas retailers in recent years. Retail sector representatives are likely to lobby for a reduction in the threshold in the run-up to the Christmas trading season.
- State and territory governments are concerned about the leakage of GST revenue under the current threshold with the growth in online shopping. The States and Territories would receive any additional GST revenue from a reduction in the threshold (and bear the costs of collecting the GST). In December 2012, the Standing Council on Federal Financial Relations (SCFFR) agreed that the Advisory Committee would report to the Standing Council by the end of 2013 on the finalised business case and consult with the Standing Council on any decision on the business case.
- Consumers and unregistered small businesses currently benefitting from the low value threshold on imported goods would have to pay GST on some goods which they are now able to import GST free.
- Consumers and businesses may face delays and additional costs in obtaining those goods which are over any reduced threshold. Whilst GST registered businesses are able to claim GST credits for GST paid on imported goods, there will be cash flow implications for those businesses unable to participate in the Deferred GST scheme. The scheme allows eligible businesses to defer payment of GST on imports to their next monthly BAS and claim the GST credit at the same time)
- The cargo industry would be impacted by any border processing reforms necessitated by a reduction in the threshold, such as increased storage and warehousing arrangements. Accordingly, the major cargo industry bodies, the Conference of Asia Pacific Express Carriers (CAPEC) and the Customs Brokers and Forwarders Council of Australia (CBFCA), are not in favour of reducing the threshold due to the significant compliance costs.