

BDO TAX INDUSTRY INSIGHT
**GREEN LIGHT FOR GST CHANGES
LEVELS PLAYING FIELD FOR RETAILERS**
NOVEMBER 2017



In response to global online retailers coming to Australia, from 1 July 2018, low value goods that cost \$1,000 and under, supplied by overseas retailers to Australian consumers, will become taxable supplies. A Productivity Commission report released in November 2017 has advised the changes will require close monitoring to ensure enforcement. Sellers of low value goods into Australia should consider the impact of these rules on their businesses and current arrangements. Australian retailers should take appropriate steps to prepare including identifying supplies of low value goods to Australian consumers.

NEW LEGISLATION TO LEVEL THE PLAYING FIELD

The perceived preferential treatment of online shopping has been a contentious issue for a while with the Australian retail sector lobbying hard to ensure that where a business is benefiting from sales to Australian consumers, the purchase is taxed in the same way as local retailers.

[The Treasury Laws Amendment \(GST Low Value Goods\) Bill 2017](#) (the Bill) was enacted on 26 June 2017 and applies Australian Goods and Services Tax (GST) on certain supplies of low value goods purchased by consumers and imported into Australia. The changes compel online retailers to collect GST from Australian customers on overseas purchases worth less than \$1000 from 1 July 2018 (GST currently only applies to goods from overseas valued at \$1000 and over). The Government expects to recoup \$300 million in GST revenue over the next four years as a result.

Under the new changes, foreign suppliers, as well as re-deliverers and electronic distribution platform providers such as Amazon and eBay, will be liable for GST on low-value imported goods sold to an Australian consumer. Foreign suppliers that generate more than AU\$75,000 in sales annually in Australia will be required to register with the ATO for the collection of GST on all goods sold online. Additionally, foreign suppliers will be expected to include a GST component in the price of their goods, as domestic businesses do, and periodically remit this to the ATO.

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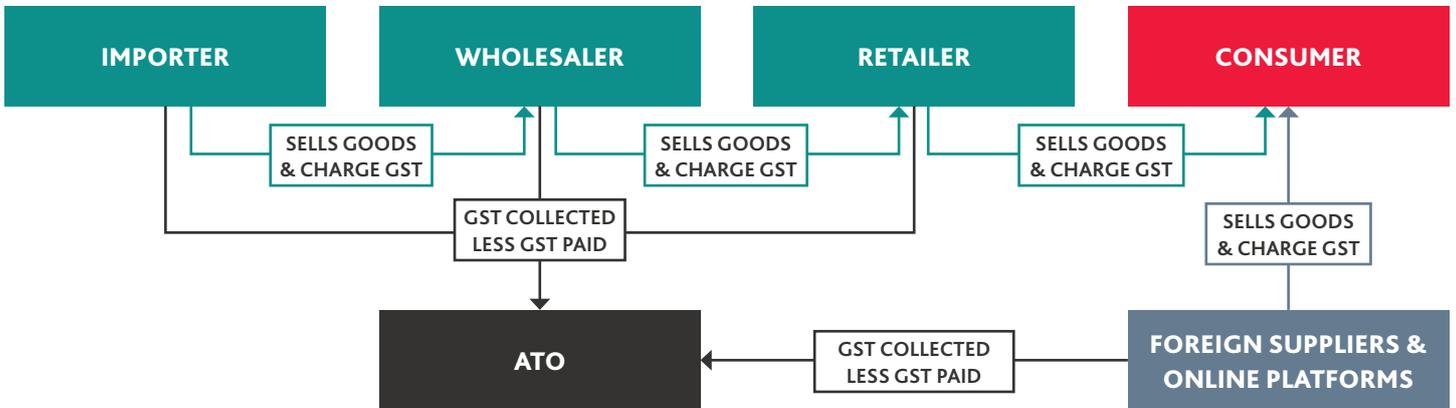
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GST TAXING POINTS



PRODUCTIVITY COMMISSION GIVES THE GREEN LIGHT

Prior to enactment, the Bill was subject to heated debate before a Senate Committee that referred it to the Productivity Commission (PC) for consideration. [The PC report](#) was sent to Government on 31 October 2017, tabled in Parliament and publicly released on 9 November 2017.

According to the report while the new legislated model has limitations and carries significant uncertainty about levels of compliance and the reactions of EDPs (electronic distribution platforms), the PC does not have sufficient sound evidence to recommend an alternative collection model, at this stage. The PC report concludes that registering offshore suppliers is the most feasible option for ensuring foreign retailers pay their fair share of GST.

The PC has also recommended that the Government should conduct a comprehensive review of the collection of GST on low value imported goods for five years after the commencement of the legislation (unless exceptional circumstances – such as extremely low compliance, unintended impacts on consumers or significant trade policy issues – warrant an earlier review).

THE ADVENT OF AMAZON

The changes to GST are in response to Amazon and other global e-commerce giants including eBay and Alibaba coming to Australia which has an attractive market and part of a trend of taxes in response to disruptive influence of online goods and services. It follows the 'Netflix Tax' which was passed in March 2017 and applies to all intangible goods such as software, as well as professional services and consulting. According to [research from the National Australia Bank](#) in the year to September 2017, Australian online retail sales rose to \$23.4 billion, accounting for around 7.6% of the dollar value of retail sales at traditional physical stores.

Federal Small Business Minister Michael McCormack has warned that Amazon and similar online retailers will be monitored in response to questions about their market strategies which may include running at a loss whilst chasing market share and volumes, in a way that is disruptive to existing players without global might. Whilst the entry of Amazon presents a big opportunity for smaller operators wanting to get onto its platform Australian Small Business and Family Enterprise Ombudsman Kate Carnell is still awaiting to see a copy of the contract under which Amazon will allow small businesses to operate with it. The Government will watch the advent of retail giants in Australia closely to ensure they do not abuse their market power by racking up losses to chase growth, saddle small businesses with unfair contracts and avoid paying their fair share of tax.



IMPACT ON AUSTRALIAN RETAILERS

The changes on GST to be paid by overseas retailers are likely to have some teething problems in the administration phase as practicalities are ironed out but the fundamental shift was a good policy in levelling out the playing field and protecting local retailers. [The Australian Retailers Association \(ARA\) has welcomed the PC report](#) but will be supporting alternative collection options, such as the Transporter Model, in the review process to improve collection rates. According to ARA Executive Director, Russell Zimmerman "although reducing the low value threshold will provide a level playing field for Australian retailers, new and innovative models will be needed over time to improve collection."

While the changes don't take effect until 1 July 2018, businesses importing goods into Australia will need to begin reviewing their positions now and to check whether supply chains are affected and determine which entities in the supply chain are actually liable for GST. Australian businesses that purchase low value goods from overseas should check to make sure that overseas suppliers are not imposing GST on supplies of these goods unnecessarily.

BDO COMMENT

BDO can assist suppliers undertake the following steps in preparation for the changes:

- ▶ Identifying supplies of low value goods to Australian consumers
- ▶ Reviewing agreements to ensure appropriate GST clauses are included
- ▶ Updating customer communications
- ▶ Assessing pricing changes required for imposition of GST
- ▶ Check that systems can account for GST on relevant sales from 1 July 2018
- ▶ Implementing processes to identify B2B supplies separately from B2C
- ▶ Considering whether the EDP rules will apply
- ▶ Registering under the full or limited GST registration.

MORE INFORMATION

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