



SUBMISSION - Treasury Laws Amendment (2017 Measures No. 1) Bill 2017: Low value imported goods

ABOUT FTA

Freight & Trade Alliance (FTA) Pty Ltd is Australia's leading representative body for the international supply chain sector bringing together importers, customs brokers, freight forwarders and logistics service providers. A listing of our 254 business members, mission and a summary of recent advocacy activity is available at <http://www.ftalliance.com.au/>

SCOPE OF THE FTA SUBMISSION

We are greatly appreciative of the extensive consultation provided by senior representatives of Treasury, the Australian Taxation Office and the Department of Immigration and Border Protections in explaining the detail of the *Treasury Laws Amendment (2017 Measures No. 1) Bill 2017: Low value imported goods*.

The Bill brings with it considerable complexity for industry in managing separate processes. Revenue collection at the border will remain for goods with a Value of Taxable Importation over \$1,000 AUD using a Full Import Declaration via the Integrated Cargo System (ICS).

If passed, the legislation will mean that "overseas vendors", "electronic distribution platforms" and "goods forwarders" will have to account for GST on sales of low value goods to consumers in Australia if they have Goods and Services Tax (GST) turnover of \$75,000 or more.

New cargo reporting and clearance requirements associated with the import of low value cargo will be imposed on international freight forwarders, express carriers and licensed customs brokers. The primary focus of the FTA submission focusses on the operational impacts affecting these sectors of Australian commerce.

INTENT OF THE LEGISLATION

We see merit in the intent of the Bill to ensure that low value goods face an equivalent GST treatment to goods sourced in Australia. Importantly, the legislation will generate a significant quantum of GST revenue.

It is noted that Australia would be the first country to apply GST to the importation of low value goods using a 'vendor collection model', with jurisdictions such as the European Union moving in the same direction. Consumers and affected sectors of Australian commerce are at risk of facing complications by the introduction of a new, untested and complex tax regime.

IMPLEMENTATION TIMEFRAME

FTA understands that the Bill will go before Parliament in the first quarter of 2017 with a target implementation date of 1 July 2017.

As outlined above, FTA is supportive of the intent of the Bill, however sees the largest risk to implementation being the short window from the passing of the legislation to "go live".

The Australian import sector still vividly recalls the flawed Integrated Cargo System (ICS) implementation in October 2005 that brought Australian ports and airports to a grinding halt.

The Australian National Audit Office post implementation review of the ICS implementation (*The Auditor General Audit Report No.24 2006-07, Performance Audit*) highlighted that Customs underestimated the complexity and the risks associated with the project "The implementation was not supported by a coordinated implementation strategy or adequate business continuity planning. Insufficient time was allowed for system testing, particularly end-to-end testing. Customs did not have quality assurance

mechanisms to assess the readiness of third party software providers, the quality of their software or the preparedness of industry participants.”

It is imperative that history is not repeated and that adequate time is provided to allow industry to design, scope, budget, implement and test systems. Businesses affected will include overseas vendors with changes to web sites and back-end reporting through to international freight forwarders, express carriers and licensed customs brokers completing ICS cargo reports and Self Assessment Clearances (SACs). As there is a requirement to provide remittance to the Australian Government, this will mean that there will be accounting changes within the internal business processes of the vendors that will also require implementation.

In contrast, legislation applying the GST to international sales of digital products and services provided to Australian consumers received Royal Assent on 5 May 2016 with the measures to apply from 1 July 2017. We commend the government for supporting this sector of commerce by providing an appropriate implementation timeframe. We are at a loss to understand why a similar implementation timeframe has not been considered for the significantly more complex changes associated with the proposed changes for low value imported goods.

RECOMMENDATION 1. Defer implementation of the low value imported goods reforms to provide industry a minimum of 12 months for “go live” after the Bill receives Royal Assent.

GOODS FORWARDERS

Feedback received from FTA members expressed concerns and confusion around the term “Goods Forwarder” as it suggests that this may include international freight forwarders.

RECOMMENDATION 2. Change the term “Goods Forwarder” to better reflect the intent of the Bill e.g. “Shopping and Package Provider”.

COMPLIANCE

We understand from our consultation that the Australian Taxation Office intends to take a considered and reasonable approach to compliance activity as industry implements the low value imported goods reforms. Whilst we support this approach, it is essential that a tough stance is taken on vendors deliberately avoiding GST payments and gaining a commercial advantage over compliant entities. This threat is greater for goods arriving via post that is not subject to cargo reporting and SAC processing.

RECOMMENDATION 3. Informed compliance measures be introduced to deter fraudulent activity and to ensure that postal and cargo handling services operate on a “level playing field”

OVER-COLLECTION

Due to the complexity of processes, it is likely that instances will occur with double-charging for high value goods. This could be generated by currency fluctuation affecting the high / low value threshold or by error from the overseas vendor incorrectly charging GST on high value goods with GST also collected at the border.

RECOMMENDATION 4. There needs to be a simplified process for dealing with the possibility of double-charging for GST and the related credit issues to refund the GST back to the recipient.

RECOMMENDATION 5. There needs to be a simplified process for licensed customs brokers to easily identify orders coming from GST compliant vendors and to identify low value goods within a consignment to quote exemptions on ICS Full Import Declarations.

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