

Australian Government

Australian Taxation Office

GST on low value imported goods

Applying GST to low value imported goods via expanded vendor collection

Presented by Robert Fais, Senior Technical Director, Australian Taxation Office **/ September 2017**

Introduction

Introduction

Welcome

This information is for business and tax professionals that want to know more about the Australian law changes that will apply GST to low value imported goods through a supplier collection model from 1 July 2018

In this session, I will

> Present an overview of these changes

> Give you an opportunity to ask questions and answers

> Provide you with key contact information

Australia’s vendor model

Australia's vendor model

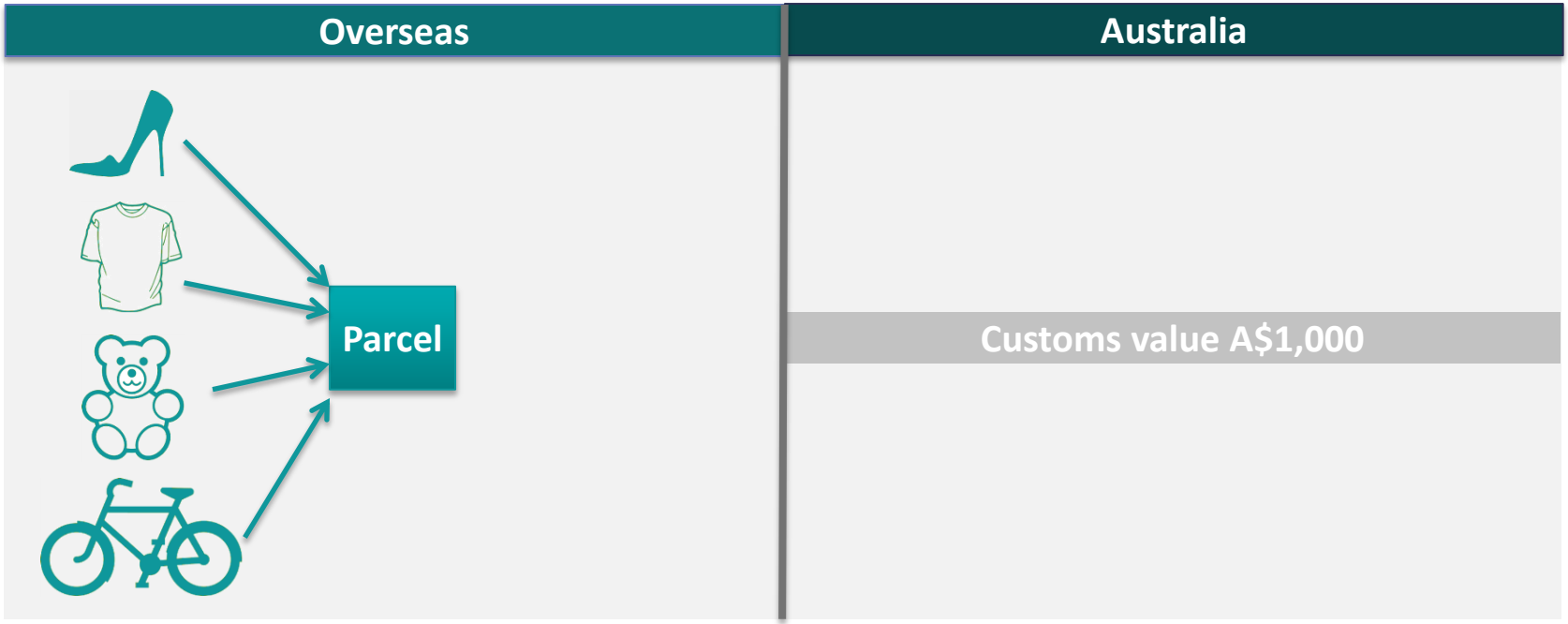
Background: the current treatment of imported goods

Currently

- Generally, only imports above a customs value of A$1,000 are subject to any duties, taxes (including GST) and import processing charges
- Exceptions - goods that are currently taxed on entry at or below A$1,000 include:
  - Alcoholic beverages
  - Tobacco products
- Tax on all these importations is
  - Assessed at the border
  - Payable by the importer of the goods before the goods are released
- All other goods that imported at or below the A$1,000 customs value threshold are generally 'non-taxable importations'
- None of these import tax arrangements will change when the new law applies from 1 July 2018

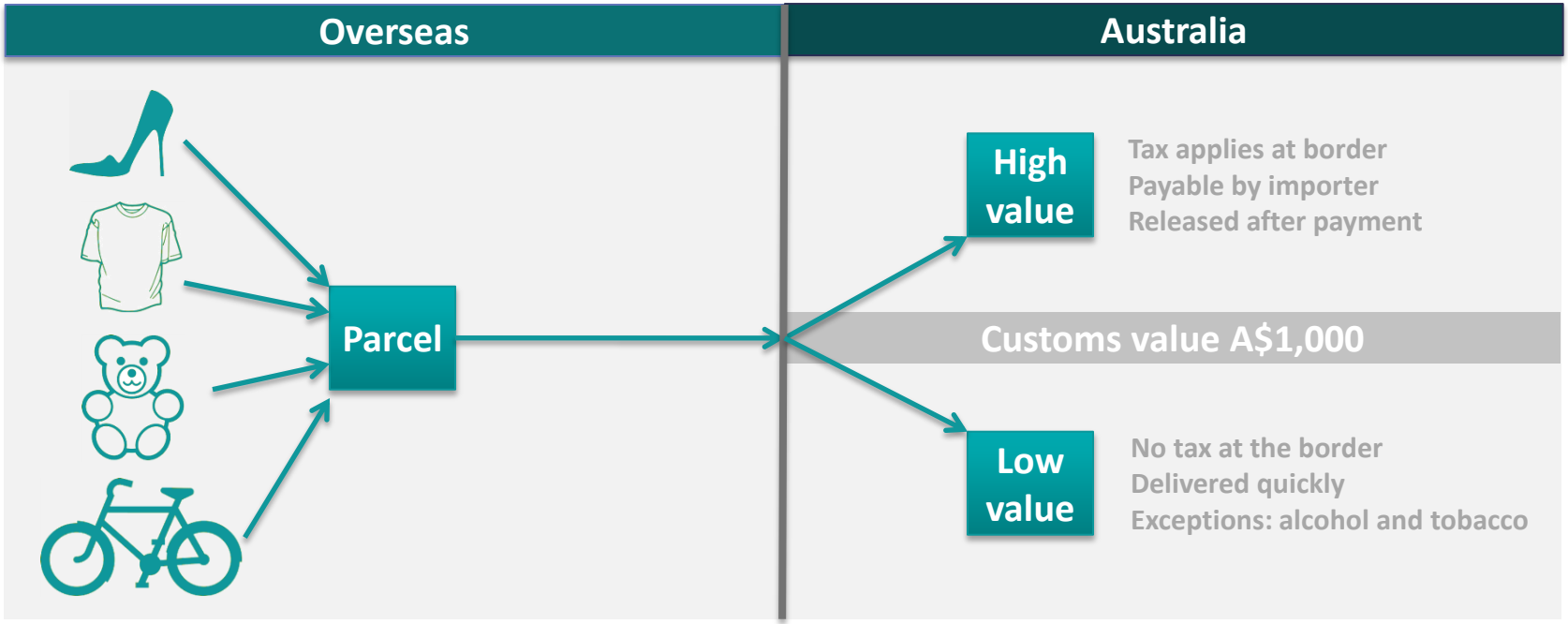
Australia's vendor model

Background: the current treatment of imported goods



Australia's vendor model

Background: the current treatment of imported goods



Australia’s vendor model

Australia’s vendor model for low value imported goods

From 1 July 2018 Australian goods and services tax (GST) will apply to sales of low value goods imported by consumers into Australia

- The changes in law mean that these supplies are ‘connected’ with Australia
- The supplier collection model is the central mechanism of the law change and is to be applied to those businesses that supply or assist in getting the goods to consumers including
  - Merchants who sell goods
  - Electronic distribution platform operators or
  - Re-deliverers

Australia’s vendor model

Overview of the Australian GST low value imported goods changes

- Businesses that meet the A$75,000 registration threshold will need to:
  - Register for Australian GST
  - Charge GST on sales of low value imported goods to consumers (unless they are GST-free)
  - Lodge returns and pay the GST to the ATO
- Goods valued above A$1,000 will be subject to existing border tax, duty and import clearance processes
- Overseas businesses do not have to register if they only make business-to-business sales
  - Those that are registered will not have to charge GST on their business sales if the purchaser provides their Australian Business Number (ABN) and states they are GST registered

Low value imported goods

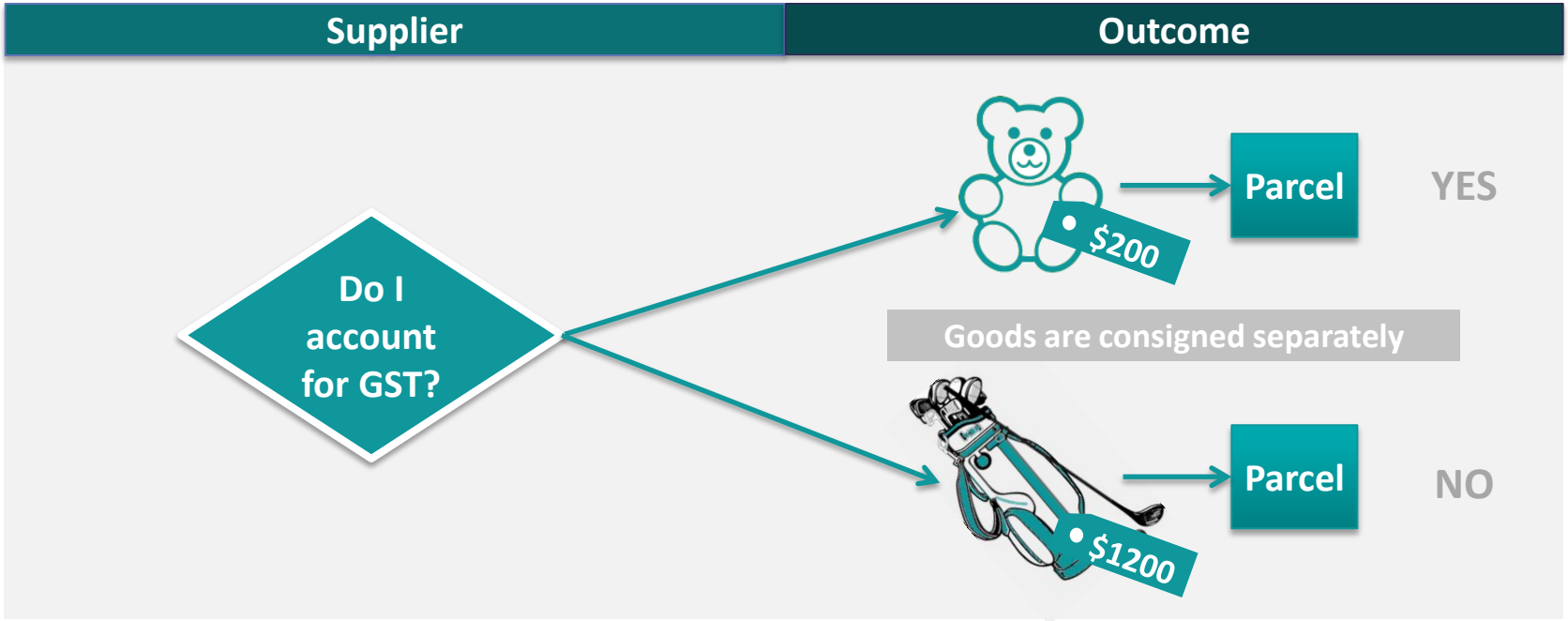
Low value imported goods
Overview

General rules

> Low value goods are
  - Physical goods (excluding tobacco products or alcoholic beverages)
  - Custom value of A$1,000 or less
> Low value goods are not
  - Goods sold that have a customs value over A$1000
    - These will continue to have any duties, taxes (including GST) and import processing charges applied at the border
  - Generally consignments of multiple goods over customs value A$1,000, including low value goods, though
    - If suppliers are unsure that items will be consigned together, they should charge GST on those low value goods

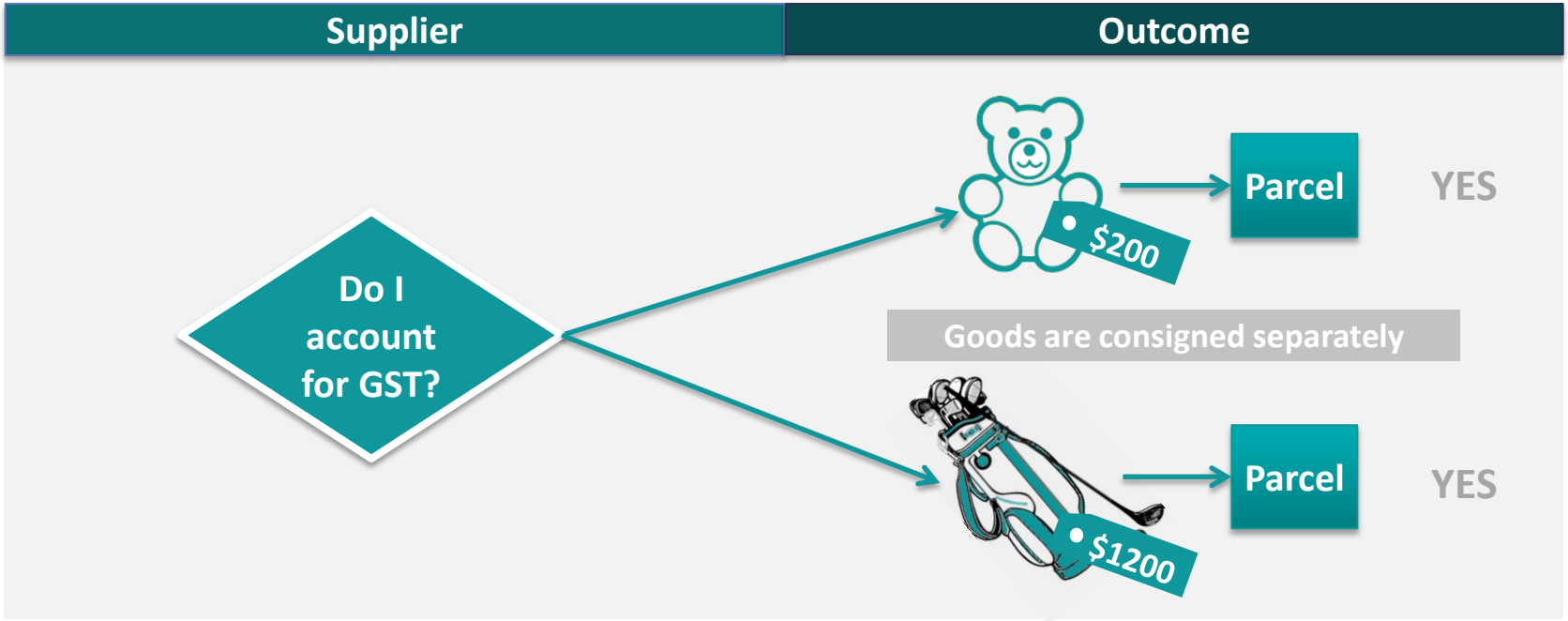
Low value imported goods

Overview



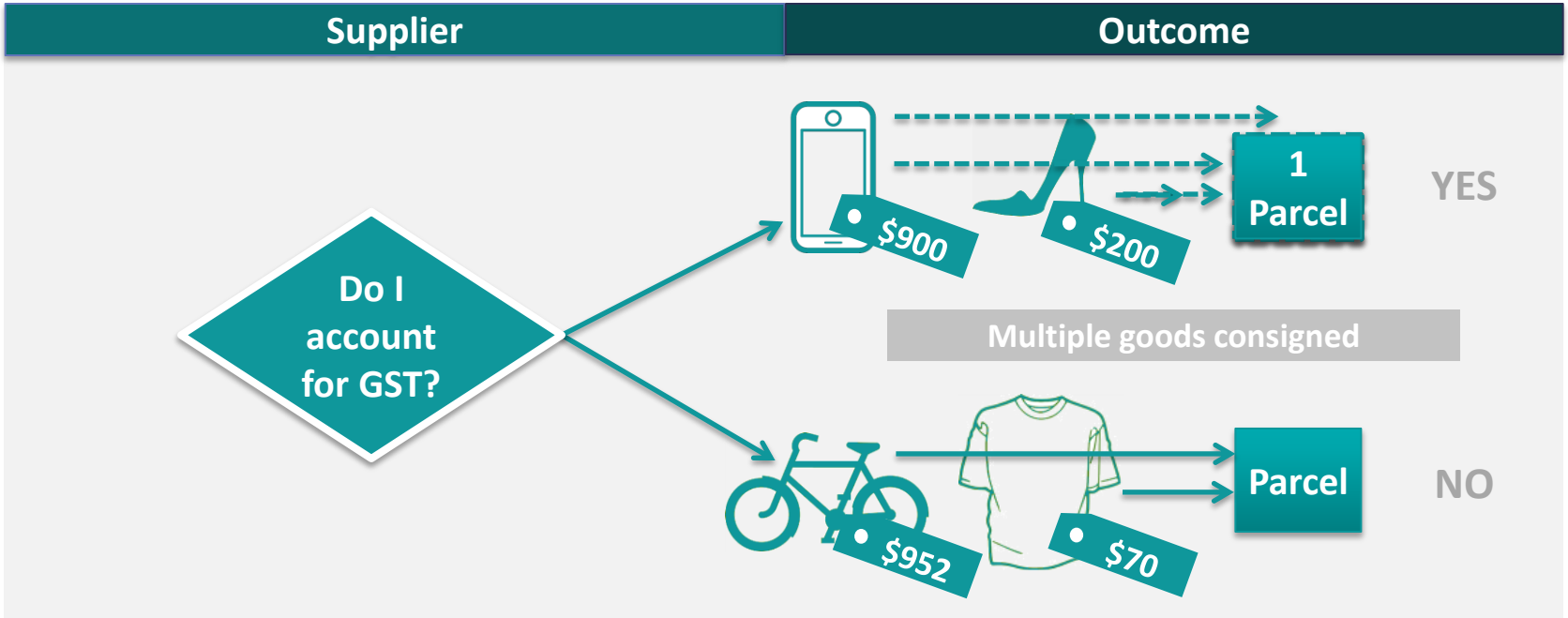
Low value imported goods

Overview



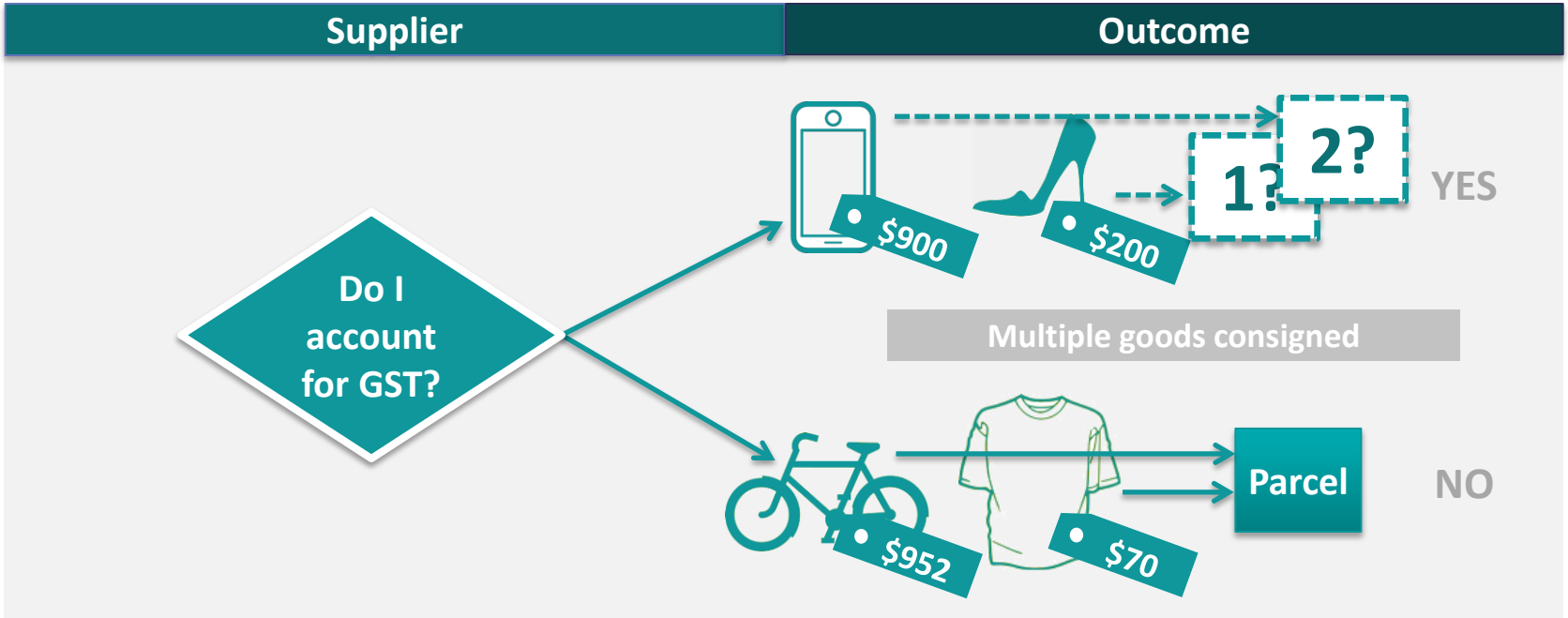
Low value imported goods

Overview



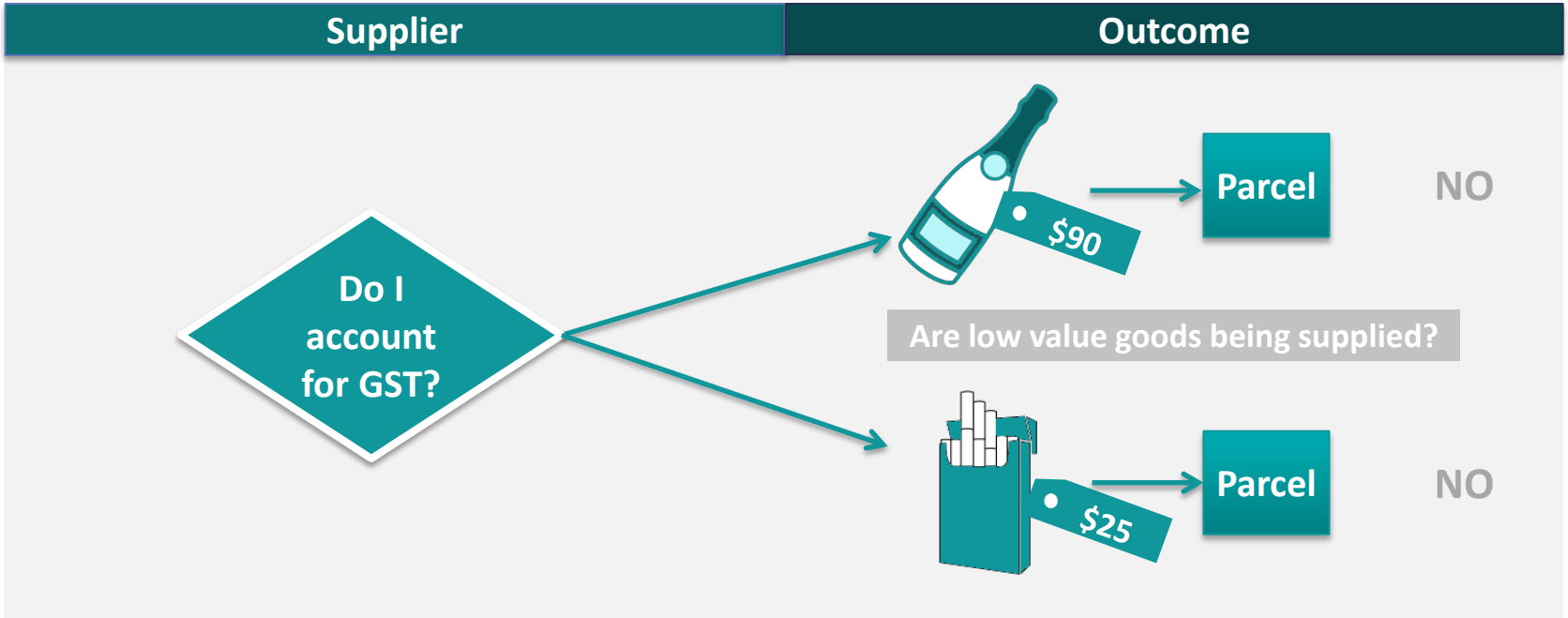
Low value imported goods

Overview



Low value imported goods

Overview



Suppliers

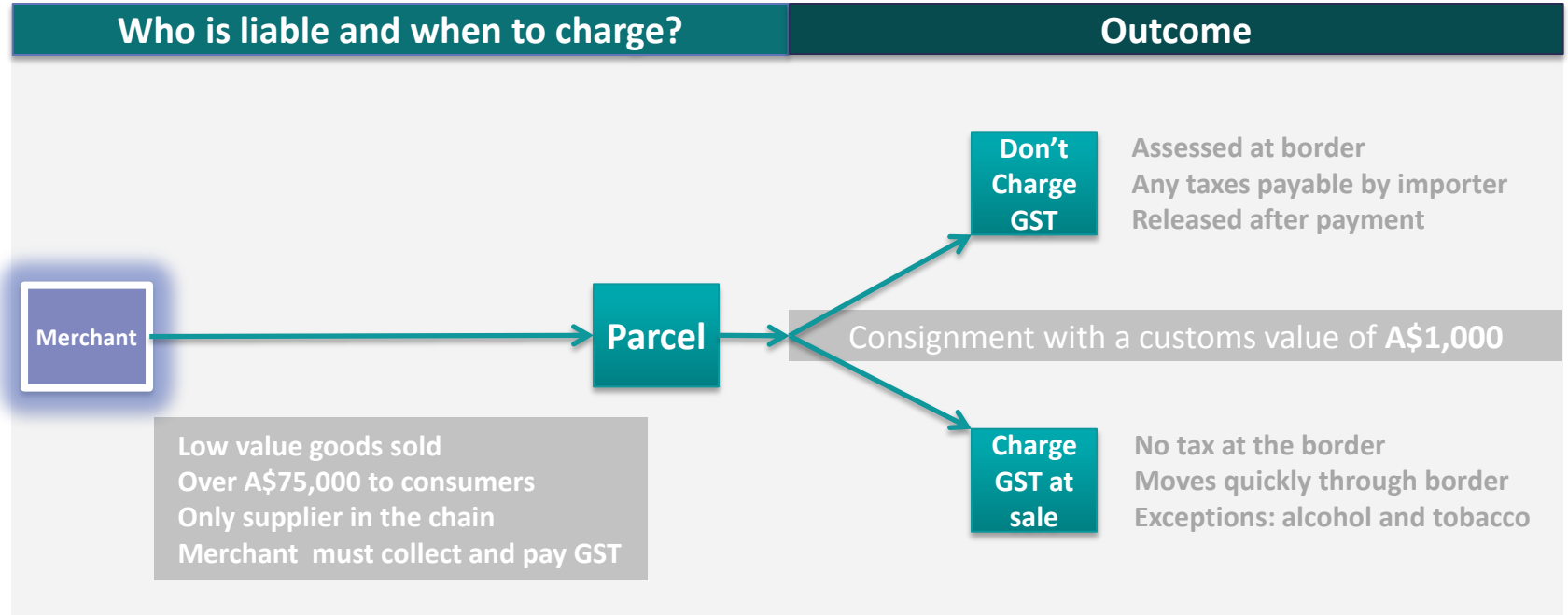
Suppliers
Overview

The low value imported goods changes apply to supplies and deemed supplies

- The three types of supplier for GST purposes are
  - Merchants
  - Electronic distribution platforms (EDPs)
  - Re-deliverers
- Priority rules determine who is responsible to charge and collect GST if more than one supplier is involved
  - If an EDP operator is responsible for GST on a sale, the merchant will not be responsible for GST
  - If an EDP operator or the merchant is responsible for GST on a sale, a re-deliverer will not be responsible for GST
- These entities will need to register for Australian if their GST turnover is A$75,000 or more in 12-month period

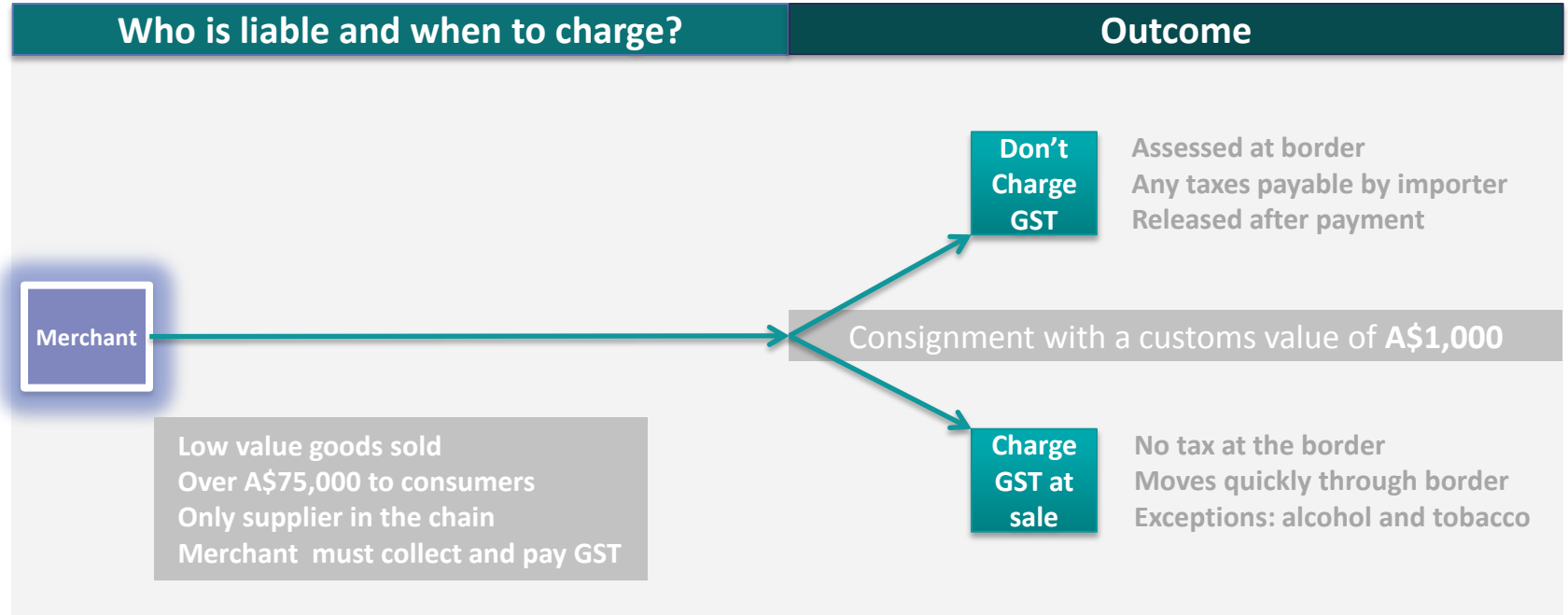
Suppliers

The role of the supplier



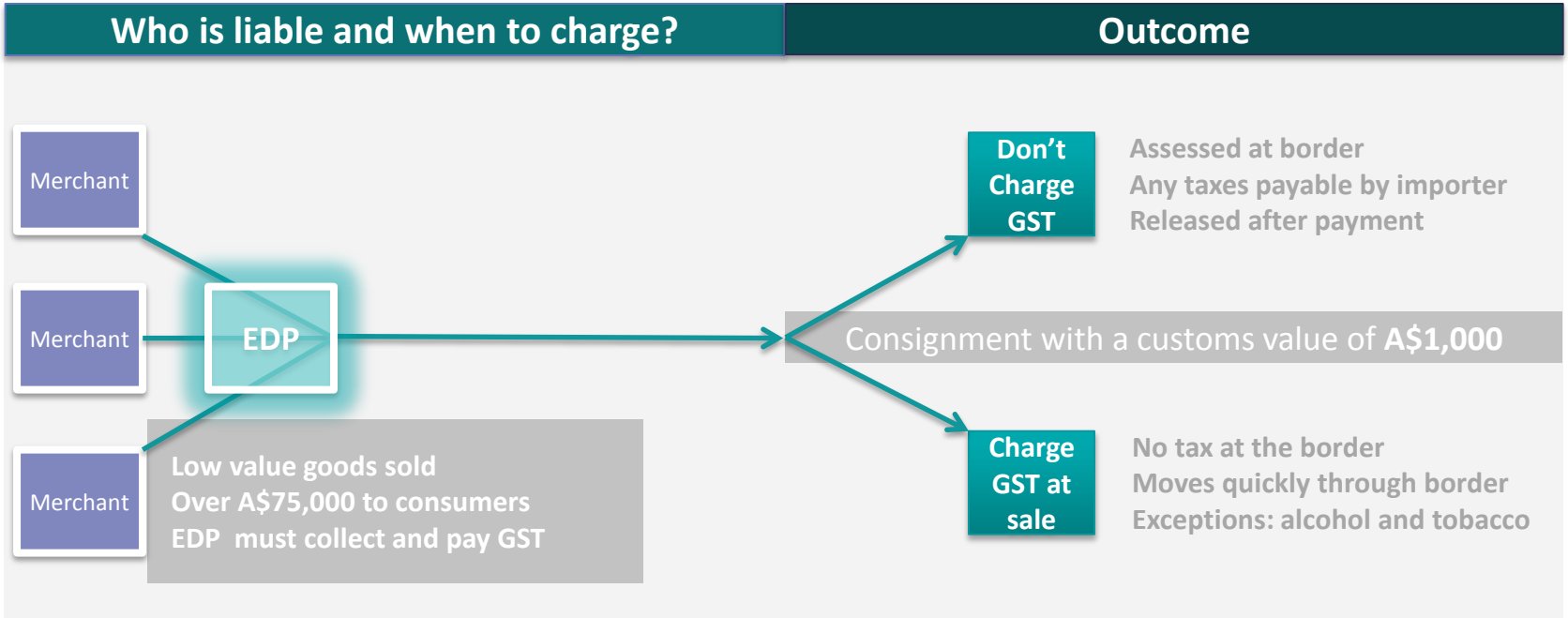
Suppliers

Overview



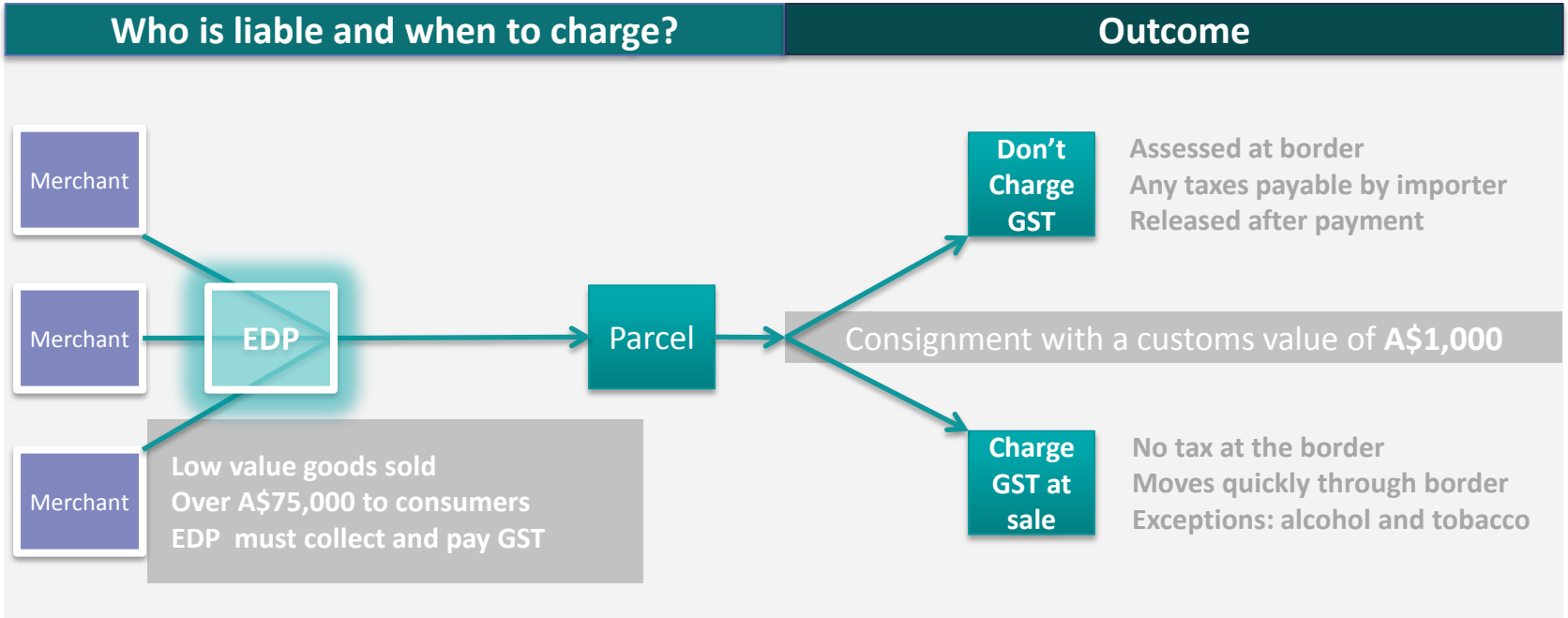
Suppliers

Overview



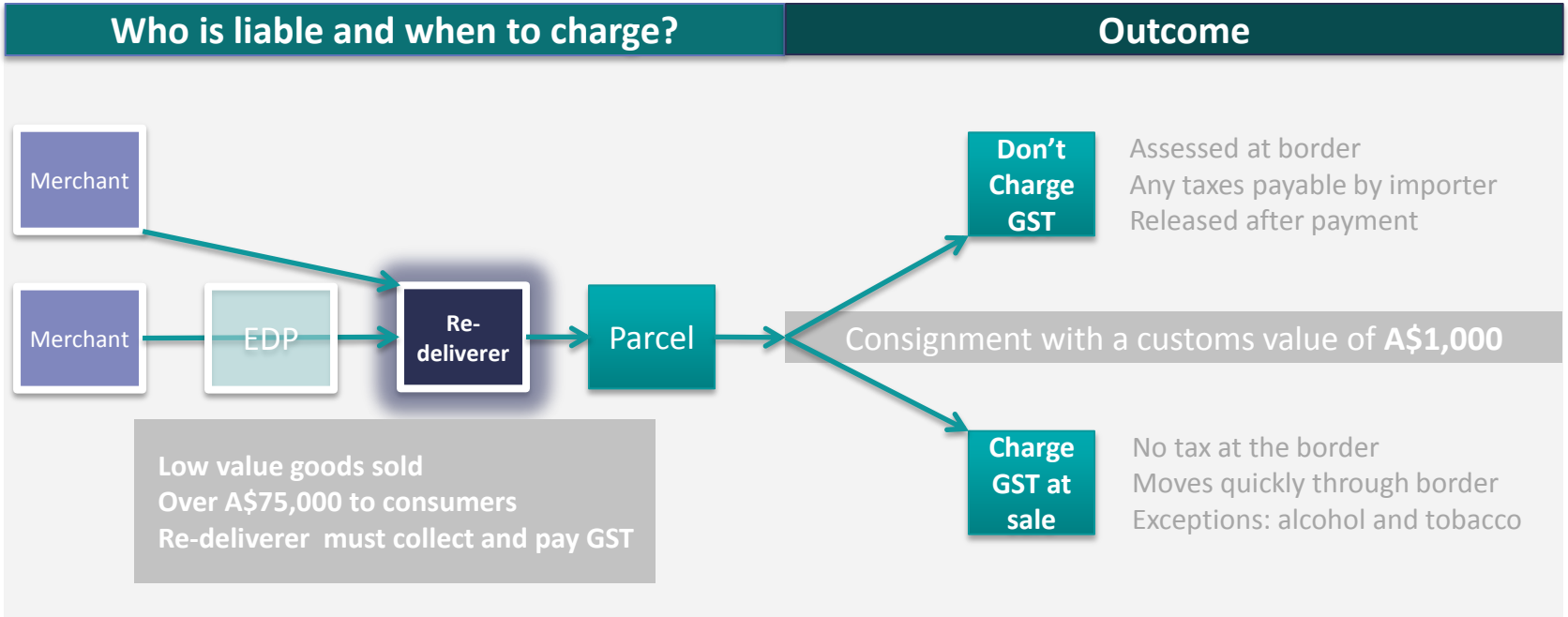
Suppliers

Overview



Suppliers

Overview



Consumer and business purchases

Consumer and business purchases

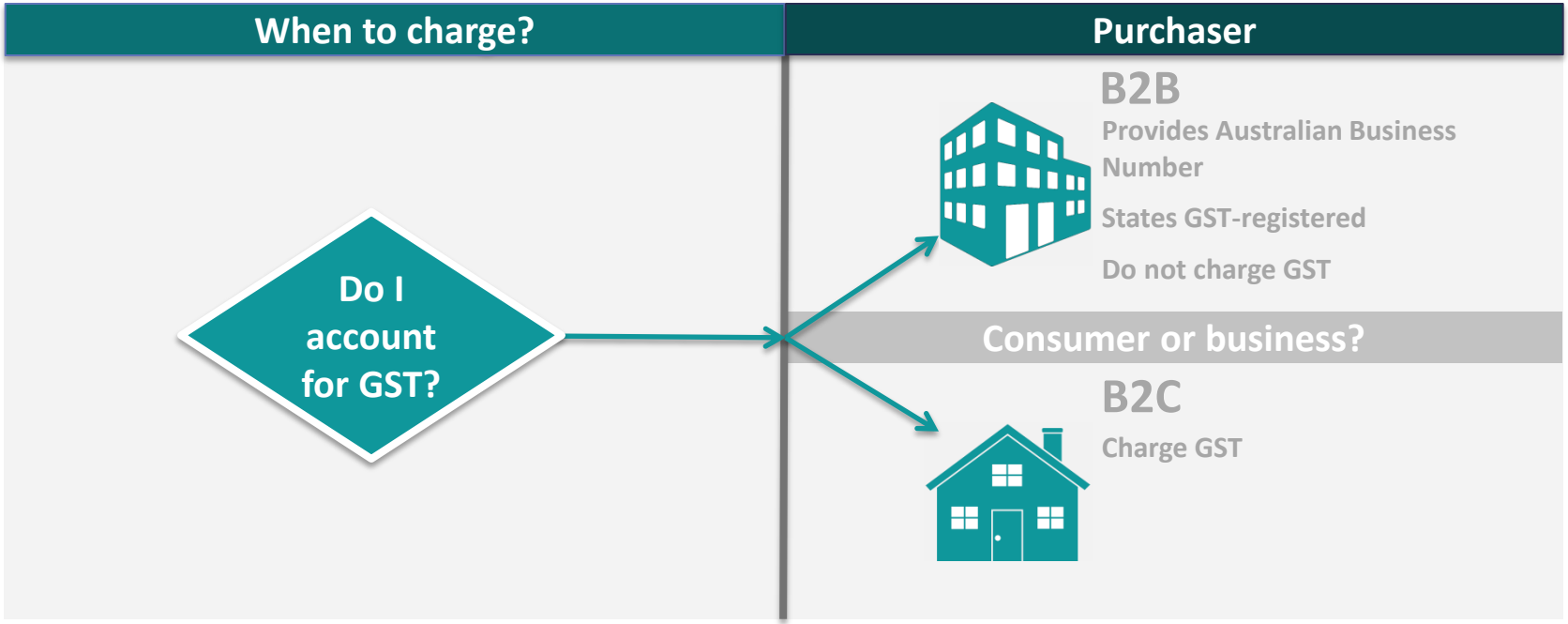
Overview

Key principles

- A purchaser is a consumer if they are either
  - not registered for Australian GST
  - registered for Australian GST but do not purchase the low value imported goods for use in their business in Australia
- There is no residency test for supplies of low value goods
- To be sure that GST does not apply to a sale because the customer is not a consumer if a supplier obtains
  - Their Australian business number (ABN), and
  - A statement that they are registered for GST

Consumer and business purchases

Overview



Preventing double taxation

Preventing double taxation

Preventing double taxation

There are certain supplier requirements that prevent double taxation

> Notices that contain certain information about GST applying to the sales

> Reporting of information for customs purposes

Preventing double taxation

Supplier notices

To prevent double taxation a notice must be issued by a supplier to the to purchaser

> This could take the form of a receipt or invoice and must and include
  - The name of supplier
  - The supplier's GST registration number
  - The date of issue
  - A description of what was supplied, including the quantity (if applicable) and the price
  - The amount of GST payable
  - Information that identifies whether GST was charged on the goods
    - if GST was charged on all the goods, it can be include the GST-inclusive price and state that this price includes GST (alternatively, it can include the GST for each item)
    - if GST was not charged on some of the goods, the receipt must show which goods were subject to GST

Preventing double taxation

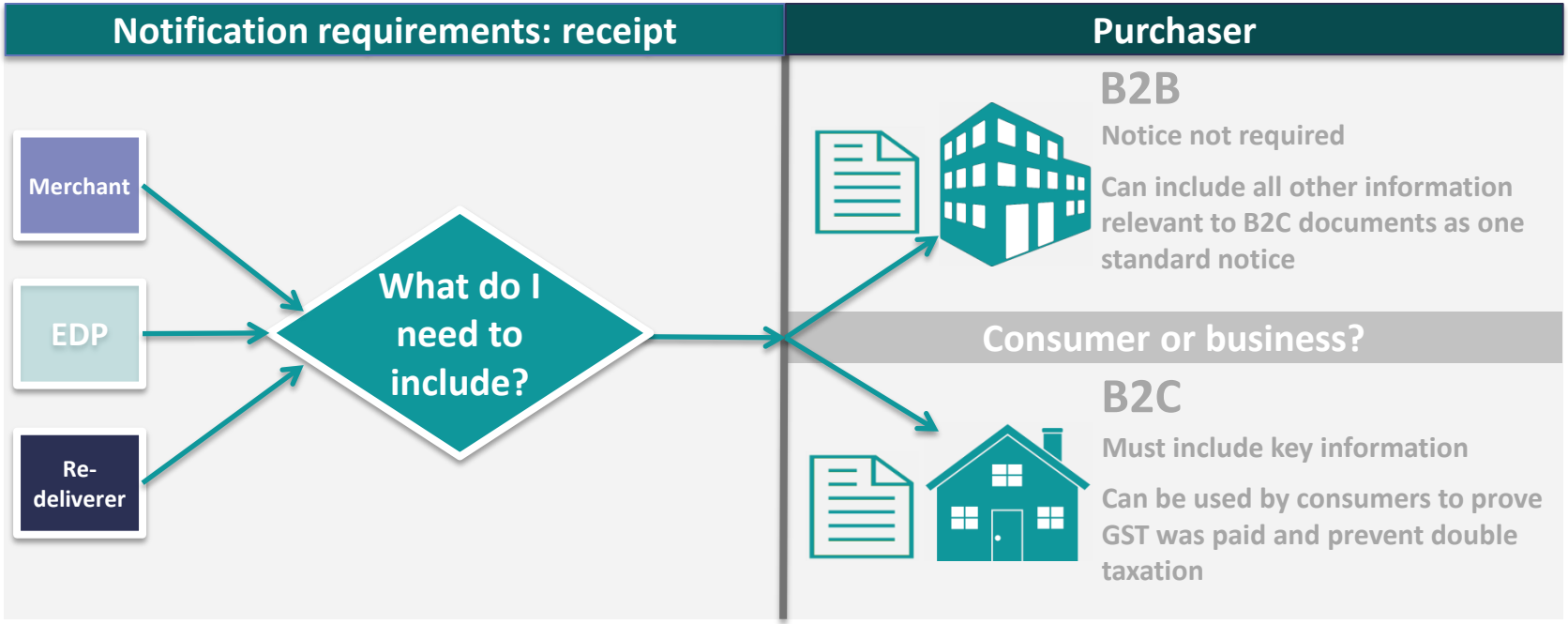
Supplier notices

For consumers

- Consumers can use this if they need to show that they have paid GST
- If not, GST could be charged at the border and they may need to seek a refund from the supplier
- This is requirement only applies to consumer sales
- Can be used by consumers to identify GST paid prior to finalisation of an import declaration
- Though not legally required for business sales, one document process could be used to meet all the information requirements

Preventing double taxation

Overview



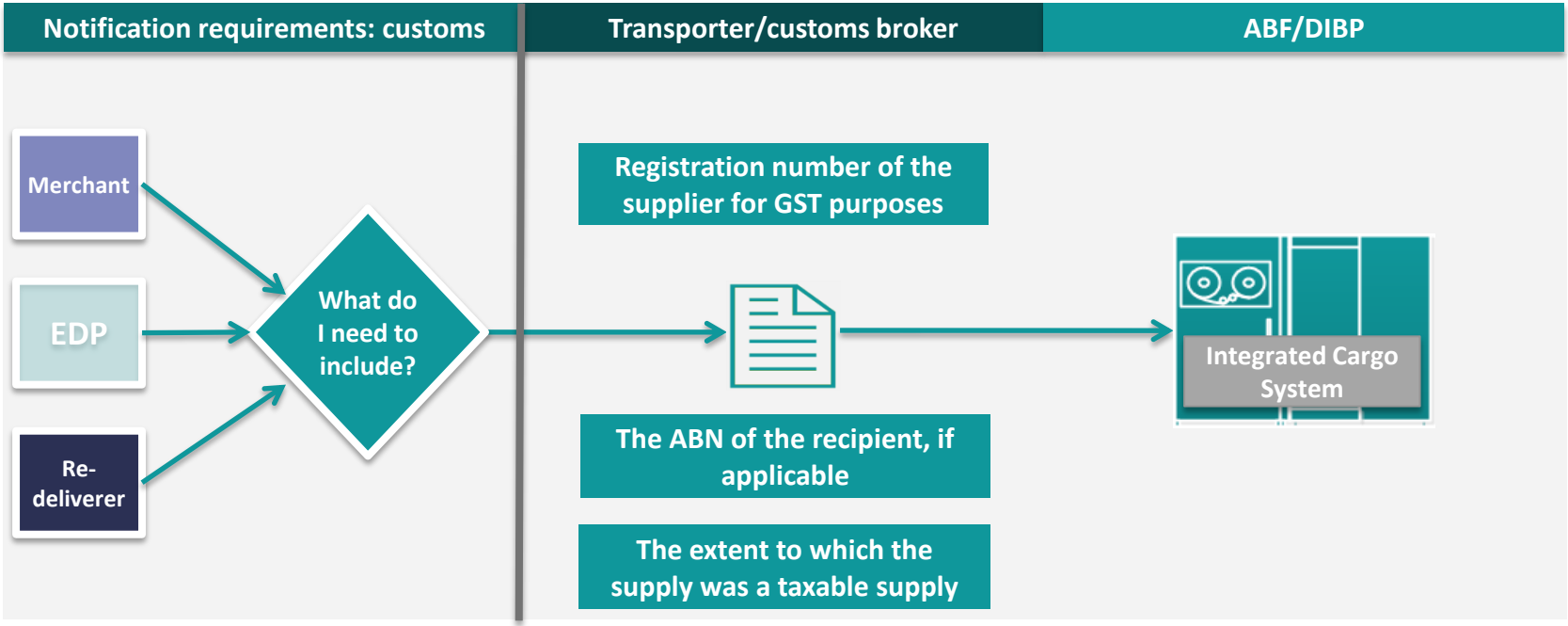
Preventing double taxation

Customs information

- An import declaration is required if goods have a customs value over A$1,000 when they are imported
- The following information is included in relevant customs documents
  - The GST registration number of the supplier liable for GST on the supply
  - The ABN of the recipient, if applicable
  - Information that indicates GST was charged on the sale of the goods
- If the relevant information is provided on the import declaration to show that GST was correctly applied to the sale of low value goods, then GST will not apply at the border

Preventing double taxation

Overview



Registration, returns and payments

Registration, returns and payments

Types of registration

The types of GST registration available in Australia are:

- Simplified GST registration for non-residents
  - Specifically design for non-residents to electronically register, report and pay quickly and easily
- The existing Australian GST registration system
  - Standard GST registration with an Australian business number (ABN) – for entities that make supplies connected with Australia, issue tax invoices, and want to claim GST credits
  - Standard claim only GST registration without an ABN – for non-residents with an enterprise outside Australia that
    - are not entitled to an ABN
    - do not make supplies connected with Australia, and
    - want to claim GST credits

Compliance

Compliance
Overview

Compliance with the new laws is being encouraged by

> Communication and awareness
> Simplified GST
> International collaboration
> Activating international treaties for exchange of information and debt collection
> Penalising Australian consumers who misrepresent themselves as businesses
> Involuntary GST registration - default assessments – use of third party data
> Risk based compliance

Compliance

We are here to help

Our primary approach is to assist clients

- We have profiling over 3000 potential registrants
  - We are engaging directly with the top 100
  - Writing to other potential registrants to advise them to review their circumstance and prepare
- Clients that have difficulty should contact us for assistance
  - An interpreter service is available if required
- Penalties may not apply in the first year but only where business can demonstrate that they have taken all reasonable steps to ensure that they comply
- Where our clients have competitors that are not complying, they can report this to the ATO

More information

More information

Technical resources

- Primary law
  - *A New Tax System (goods and services tax) Act 1999* (predominately Division 84)
- Other technical resources
  - Draft Law Companion Guideline LCG 2017/D2 GST on low value imported goods
  - Draft Law Companion Guideline LCG 2017/D4 - GST on supplies made through electronic distribution platforms
  - Draft Law Companion Guideline LCG 2017/D5 - When is a re-deliverer responsible for GST on a supply of low value imported goods?
  - Legislative instruments (e.g. determining customs value and foreign currency conversion)
  - Law Companion Guideline LCG 2016/1 (GST and carrying on an enterprise in the indirect tax zone) [*GST on imported services and digital products*]

More information

Contact us

Website

> www.ato.gov.au/AusGST
  - Including Chinese language content

Email

> AustraliaGST@ato.gov.au

Phone

> International clients can contacts via phone
  - +61 2 6216 1111 between 8:00am and 5:00pm, Monday to Friday, Australian Eastern Standard Time
  - Ask to be connected to 1300 146 094 with code 118# when prompted
  - Clients that would prefer to discuss matter in a language other than English well and would like help to talk to a tax officer, can call the Translating and Interpreting Service on +61 3 9203 4027 (from outside Australia) or 13 14 50 (in Australia)

Thank you