

20 April 2020

Chris Jordan AO

Commissioner of Taxation
Australian Taxation Office (ATO)
Australian Capital Territory 2601
Canberra, Australia



Freight & Trade Alliance (FTA)
Australian Peak Shippers Association (APSA)
www.FTAlliance.com.au

Determination sought to qualify freight forwarders and licensed customs brokerages for *Cash Flow Boost*

Freight and Trade Alliance (FTA) represents a diverse membership across the international trade supply chain including 300+ freight forwarding and licensed customs brokerage businesses as listed at <https://ftalliance.com.au/members/freight-forwarding-customs-broker>

FTA sees significant merit in the Federal Government's COVID-19 relief measures, providing critical support to maintain members' commercial viability during the current and ongoing economic crisis.

In terms of the *Cash Flow Boost* scheme, it is noted that eligibility is linked to subsection 4(2) that operates to increase the aggregated turnover threshold for the definition of a small business entity for the purposes of sub-division 328-C of the Income Tax Assessment Act 1997 to \$50 million.

For your reference, freight forwarding and licensed customs brokerage businesses commonly pay a substantial amount of disbursements on behalf of their customers (importers and exporters).

These disbursements include, but are not limited to, payments of duties, GST, Import Processing Charges, international freight, overseas port and terminal charges.

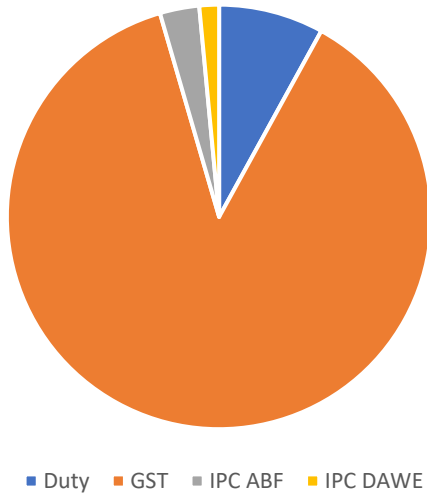
Member feedback would suggest that there are currently two methods used within the industry of accounting for these disbursements:

1. treat these payments as a client disbursement and exclude them from income/turnover figures reported on the FTA member's Income Tax Return (ITR); or
2. treat these payments as purchases of the business, and subsequently treat the receipt of funds from the client as revenue which is included in the ITR (for example, an entity in our industry with turnover of \$50 million, would have disbursements of approximately \$46.5m included in this figure).

Where the procedure under option (2.) above is followed, this inadvertently inflates the turnover of the entity, and in this instance could preclude the business from accessing the *Cash Flow Boost*. It is possible that this business may in fact be a smaller entity than one that follows the procedure outlined in option (1.) above.

Upfront payment by licensed customs brokerages on statutory import charges alone may take an entity well over the \$50 million threshold (including duty, GST and Import Processing Charges).

By way of an example, the below data has been received from a small to medium sized customs brokerage that typically completes 1200 sea freight import clearances per month, for a large mix of importers (some of whom report GST quarterly).



The customs brokerage paid out on behalf of importers **\$4.47M** to clear goods into home consumption for March 2020

Duty 8%

GST 87.5%

IPC (Australian Border Force) 3%

IPC (Dept. of Agriculture, Water and Environment) 1.5%

It is noted that paragraph 5(1)(d) of the Act refers to determining whether a business's entitlement to the *Cash Flow Boost* with a requirement that a business must satisfy at least one of:

(i) the entity was a small business entity or a medium business entity for the most recent income year for which there is an assessment in respect of the entity of a kind mentioned in subparagraph (a)(ii) of the definition of assessment in subsection 6(1) of the Income Tax Assessment Act 1936;

(ii) the Commissioner is satisfied on a reasonable basis that the entity is a small business entity or a medium business entity for the income year in which the period starts;

Due to the fact that many businesses are unable to satisfy the first criteria based on their most recent ITR, a determination is sought for freight forwarders and licensed customs brokerage businesses to be eligible under sub-paragraph 5(1)(d)(ii) by exempting statutory import charges and international freight disbursements that are paid and recouped from their customers.

FTA requests that matter receive your urgent attention and resolution to meet the clear policy intent of the *Cash Flow Boost* COVID-19 measure.

Please feel free to contact me direct on pzalai@FTAlliance.com.au or 02 9975 1878

Yours sincerely

Paul Zalai

Director and co-founder, Freight & Trade Alliance (FTA)