

Monday 4 April 2017

Senate Standing Committee on Economics

By email: economics.sen@aph.gov.au

Dear Committee Secretariat,

RE: Treasury Laws Amendments (GST Low Value Goods) Bill 2017

CHOICE welcomes the opportunity to provide comment to the Senate Economics Legislation Committee inquiry into the Treasury Laws Amendments (GST Low Value Goods) Bill 2017 (the Bill). CHOICE supports initiatives that create tax systems that are fair and less complex. However, we are concerned that the Bill will not lead to fair or simple outcomes.

Currently, consumers who purchase goods and services from overseas do not pay the Goods & Services Tax (GST) or other duties if their purchase costs less than \$1000. CHOICE generally supports the principal of tax-neutrality however we caution against moves to lower or abolish the Low Value Threshold (LVT) in the absence of a business case proving that it would raise net revenue.

The Federal Government needs to properly model the impact of the Bill, including modelling on the impact of the Bill on consumer access to goods and the impact of changes on competitive pressure across the retail sector.

There is no available evidence that the GST LVT measures will cost less to collect than it will raise

The Treasury has not released any modelling on the impact of the proposed LVT changes. They have only provided the revenue expected to be raised across the first three years (\$300 million) with no detail on collection costs or the impact of the measures on businesses, consumers or the wider economy. ¹

CHOICE is extremely concerned that the proposed change to the GST LVT will lead to additional costs to Australian consumers, on top of the GST collected. It is also likely that the cost of administering the scheme will be greater than revenue raised. A number of previous reports have examined the implications

¹ Treasury Laws Amendment (GST Low Value Goods) Bill 2017 – Explanatory Memorandum, p.3.

of lowering or eliminating the LVT.² For example, the Productivity Commission found that removing the LVT for 2010-11 would cost \$1.2 billion while the amount raised would be just \$495 million, resulting in a net loss of over \$700 million.³

CHOICE continues to call for no change to the GST LVT rules until the Federal Government can demonstrate that processing imports that cost under \$1,000 will not result in greater costs than revenue raised.

Issues with enforcement arrangements

There needs to be clearer, public guidance about how the new LVT arrangements will be enforced to properly assess the costs of levying the tax. There is no mention in the Bill or explanatory memorandum that outlines how the new GST LVT measures will be enforced.

CHOICE's understanding is that the Bill could be enforced through a range of measures, including:

- Asking businesses to voluntarily comply.
- Using various international treaties to require other governments to assist with enforcement.
- Using powers that the Federal Government already has to enforce tax measures, notably powers under the Telecommunications Act 1997.

Under section 313(3) of the Telecommunications Act 1997 government agencies, including the ATO, are able to seek assistance from the telecommunications industry in order to uphold Australian laws. This section of the Act has been used by various government agencies, including the Australian Federal Police and the Australian Securities and Investment Commission, to block access to websites. It is feasible that online businesses who do not voluntarily comply with new tax measures will have their website blocked. Australian consumers will then have less access to goods.

Alternatively, we expect some businesses will choose not to comply with new tax arrangements by ceasing to sell goods to Australian customers. Australians will face reduced access to goods, likely to some goods that are unavailable through retail outlets in Australia such as clothing for larger, smaller or more unique sizes or goods that are important to smaller communities across Australia. We are concerned that the

² See Board of Taxation (2010), *Review of the application of GST to cross-border transactions*; Centre for international economics (2011) *the GST threshold of low value products*; Productivity Commission (2011), *Economic structure and performance of the Australian retail industry*; Treasury (2012), *Low value parcel processing taskforce: final report*.

³ Productivity Commission, (2011), *Economic Structure and Performance of the Australian Retail Industry*.

Treasury does not appear to have considered the impact of the Bill on consumer access to goods or overall competition in retail markets.

Recommendations

The work hasn't been done to assess the consequences of this Bill. We believe it is highly likely that the Bill will lead to additional costs, beyond the 10% GST, for consumers, governments or to businesses involved in selling or transporting goods to Australia.

We ask the Committee to recommend that the Bill does not proceed until there is clear and publicly available modelling about the costs to government agencies, consumers and businesses to changing the GST LVT arrangements. Our preference is that this modelling is completed by the Productivity Commission, a body with experience assessing LVT issues.

If the Committee recommends that the Senate pass the Bill we ask that we ask that a review of the LVT change is undertaken by the Productivity Commission within three years of the Bill taking effect.

Yours sincerely,



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