



*Submission to the Treasury Department's Consultation
into applying GST to low value goods imported by consumers*

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Context

The Australian Sporting Goods Association Incorporated (ASGA) welcomes the opportunity to make a submission to the Treasury Department's *Consultation into applying GST to low value goods imported by consumers*.

ASGA was formed in 1981 as the national industry association representing a broad spectrum of sporting and active lifestyle goods industry participants, including brands, manufacturers, distributors and retailers.

ASGA is a leading industry voice on issues impacting the health, trade, regulation and taxation of the sporting and active lifestyle goods industries. ASGA aims to foster market growth, provide services and advocate for increased participation in sport and physical activity.

Members of ASGA include the world's leading sports brands and major Australian retailers. We represent over 1000 sporting and active lifestyle goods retail stores around Australia.

Sports retailers range from the very large (1,000+m²) like Rebel Sport and Sportsmart, through to franchisees like Intersport, family-owned businesses in the High Streets of regional towns and tiny golf club pro-shops. Ownership and business models include franchises, listed corporations, family-owned companies and vertically-integrated international brands.

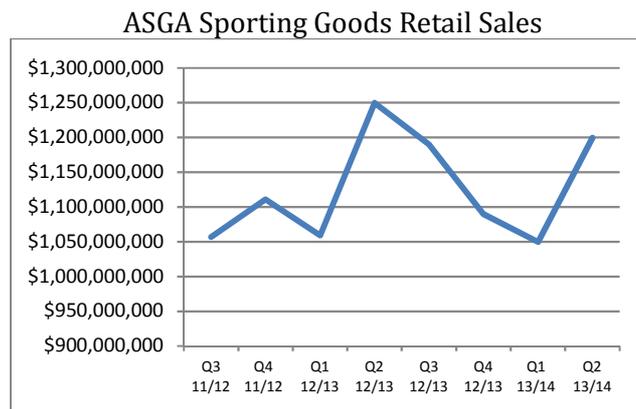
While the sector is dominated by very large international players (Nike, adidas, etc) and large local retailers (Rebel Sport), in fact the majority of companies in the sector are small and medium enterprises, often family-run businesses.

Current state of the sporting goods sector

The state of the sporting and active lifestyle retail sector has certainly improved recently, but only slowly and cautiously. One small and independent sporting goods retailer noted that:

“After a massive downturn in sales following the GFC, we are seeing a slight but cautious improvement in the last year or so.”

ASGA's own research shows retail trade in sporting footwear, apparel and equipment rose from \$1.05b in Q3 2011/12 to \$1.19b in Q2 2013/14.¹

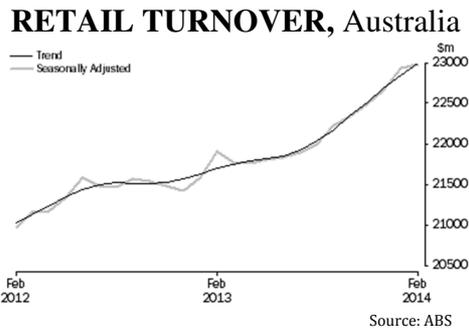


Source: ASGA

This tracks with the more general figures from the Australian Bureau of Statistics, which shows an increase in general retail trade of \$21b in February 2012 increasing to \$23b in February 2014.²

¹ ASGA Market Intelligence Sporting Goods Retail Survey – Oct-Dec 2013 Quarterly Results

²<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/8501.0Main%20Features2Feb%202014?opendocument&tabname=Summary&prodno=8501.0&issue=Feb%202014&num=&view=>



However, despite the positive news, retailers remain concerned about tough trading conditions.

Specific recommendations and concerns

ASGA supports the direction outlined in the Exposure Draft of the *Treasury Laws Amendment (2017 Measures no. 1) Bill 2017*.

We agree that “...the fact that neither the supply nor the importation of such low value goods is subject to GST represents a significant risk to the integrity of the GST system. It also places Australian based suppliers at a growing competitive disadvantage.”³

ASGA has been at the forefront of working with the Federal and state governments to reduce the low value threshold and provide a level playing field for Australian retailers. We were very pleased when the Federal Treasurer, The Hon. Joe Hockey MP, announced the change following the Council on Federal Financial Relations Tax Reform Workshop. [In a statement](#) he said:

At the meeting the Commonwealth Treasurer put forward a proposal that relies on a vendor registration model as a method of collecting the GST for the states and territories. As goods would not be stopped at the border, administering a vendor registration model would have a relatively low cost.

The Commonwealth also recommended that the existing threshold for the GST liability be reduced to zero, in line with the GST collection for other products and services. The states and territories have unanimously agreed to this in principle.

The vendor registration model has significant advantages over other possible schemes. As such, this submission will outline our ideas and concerns about the proposed Amendment, specifically about how it relates to the vendor registration model and what concerns we have about the implementation and enforcement of the legislation.

Registering for GST

Given the suppliers we are discussing are, by definition, domiciled overseas and are not subject to Australian taxation law, it is unclear how the Government will implement or enforce this Amendment.

It is unclear from the amendment and the explanatory materials about how overseas suppliers will register for GST, under what circumstances they will be required to do so (apart from meeting the \$75,000 turnover threshold) and what, if any, measures the Australian Government can take to encourage or force those companies to register. For example, what penalties are in place for a company that doesn't register? How will that be enforced?

³ *Treasury Laws Amendment (2017 Measures no. 1) Bill 2017* Exposure Draft Explanatory Material (p. 5, s. 1.14)

Previous discussions with Treasury have indicated enforcement will rely on tax treaties with other countries, whereby the relevant authority within another country will enforce the new laws on retailers domiciled in their country, on behalf of the Australian Government.

ASGA supports the Australian Government enforcing this amendment through tax treaties, where practical and applicable. However, there needs to be a method of enforcing the amendment that doesn't rely on a third party to do so on our behalf (or where no such tax treaty is in place).

ASGA acknowledges previous research and modelling that shows collecting the GST at the border is undesirable, given the administrative costs of doing so. However, that modelling was predicated on all low value goods being stopped at the border, assessed for GST and then held until the GST is paid by the consumer.

A mix of both the vendor registration model and a border-control model may be effective in enforcing the legislation. Where an overseas retailer does register for GST, they would then go on a list that is given to Customs and Australia Post. Goods from those suppliers would be earmarked as having paid GST and so would not be stopped at the border. However, an overseas retailer that has not registered for GST (and who therefore hasn't charged GST at the point-of-transaction) doesn't go on that list. Therefore, their goods will be stopped at the border and Customs (or Australia Post) will require the consumer to pay the GST when they pick up those low value goods.

Assuming most overseas retailers (and the largest overseas retailers) abide by the legislation, the 'overflow' of low value goods that have not had GST charged on them should be relatively low, and will therefore not pose an unacceptable administrative burden on Customs.

Identifying Overseas Suppliers

It has been noted in other consultations about the Low Value Threshold that a relatively small number of overseas online retailers (accounts range from 20 to 50) account for a large percentage of the total consumer imports into Australia. While that is true for the economy overall, it is the case that in specific industries the largest overseas competitor is not counted in that 'top 50'.

ASGA is concerned that nothing in the amendment or explanatory material discusses how overseas suppliers will be prioritised and encouraged to register for GST. Depending on how companies will be prioritised to register, it may be worth having specific Australian industries (i.e. sporting and active lifestyle goods) identify specific overseas online suppliers to ensure the widest possible take-up of registration.

While it is not necessary to include this issue in the legislation, ASGA members thought it worth raising as part of the more general consultation into the low value threshold.

GST Registration Threshold

ASGA agrees the threshold for registration for overseas suppliers should be the same as Australian suppliers (turnover of \$75,000 for a for-profit business, \$150,000 for a not-for-profit). The explanatory material (s. 1.22) makes it clear the threshold only applies to the turnover of the Australian portion of that business.

That seems reasonable, although we are concerned about the case of (as an example) an overseas supplier who is doing \$70,000 worth of business with Australian consumers one year, then does \$80,000 worth of business the following year. What steps are in place for the Australian Government or the business itself to recognise it has crossed that threshold and therefore needs to register for GST?

We would argue that large overseas businesses, if their turnover with Australian consumers is over \$50,000 but less than \$75,000, should be required to register so they can be informed of their responsibilities under the legislation on the chance they cross the threshold.

Goods forwarders

ASGA supports good forwarders, as defined in the Exposure Draft, being held responsible for collecting and remitting the GST for the value of the goods.

Electronic Distribution Platforms

ASGA supports the shifting of the GST collection from individual suppliers to Electronic Distribution Platforms. This is especially important where there are a large number of small-scale suppliers that would fall under the registration threshold but which, together on the one EDP, constitute a significant percentage of particular retail industries.

GST and International Transport

As noted in the Exposure Draft Explanatory Materials (p.32, s. 1.124), this amendment does not contain amendments to the GST treatment of international transport. As ASGA has noted in submissions to other government consultations⁴, transport is a significant cost to Australian distributors and retailers. ASGA supports the Government in removing the GST free treatment for the supplies of low value goods and would be happy to provide further advice about this issue.

Conclusion

As noted above, ASGA and our members strongly support this amendment to create a vendor registration model that will see overseas retailers register for, collect at point-of-transaction and remit to the ATO the GST for low value goods. Our concerns relate, for the most part, to how the amendment will be implemented and enforced.

Our members thank Treasury and the Minister for the opportunity to be involved in this consultation and I would be pleased to discuss this submission further, at your convenience.

ENDS

⁴ [ASGA Submission to the Productivity Commission's Inquiry *Relative Costs of Doing Business in Australia: Retail Trade Industry*](#) (p. 8)