

Indirect tax update

1 September 2015

GST to apply to online sales of goods from overseas from 1 July 2017

On 21 August 2015, the Federal Treasurer, Joe Hockey, announced that the Federal Government will introduce legislation to broaden the goods and services tax (GST) to cover overseas online transactions (physical goods) under \$1,000 from 1 July 2017.

Vendors with an Australian turnover of \$75,000 or above will need to register and account for GST. Subject to these registration limits, this will mean that all goods sold into Australia will be subject to GST (currently it is only imports over \$1,000 which attract GST).

The Treasurer expressed the view that administering a vendor registration model (under which the supplier, rather than the importer, will be liable for GST) would have a relatively low cost compared with changing the \$1,000 “low value threshold” exemption that currently applies to GST and duty paid by the importer of the goods. Adopting a vendor registration model may therefore mean that goods imported with a value below \$1,000 remain free of customs duty despite the proposed

change to the imposition of GST.

This will be a significant change for online retailers of goods, and could present a number of practical issues including pricing and determining whether a sale is made to an Australian customer. Given the registration threshold, it should not impact smaller retailers selling into Australia unless an intermediary or platform model is introduced to capture all goods sold through the intermediary/platform. It is also not clear how the GST registration status of overseas vendors will be policed by the ATO, particularly given the Treasurer’s comment that goods will not be stopped at the border.

The proposed commencement date coincides with the proposed commencement date of measures announced in the 2015-16 Federal Budget to extend the application of the GST to cross border supplies of digital products and services imported by consumers. It therefore appears likely that the measure to impose GST on the online purchase of physical goods will take a similar approach to that taken for supplies of digital products. If there is alignment between the

two measures, it may well result in a number of online platforms and other intermediaries in the supply chain becoming liable for GST on goods imported into Australia.

More broadly, it is possible that other changes to the GST are being evaluated as the Treasurer indicated that the GST was being looked at more generally.

The Federal Government will now draft legislation for the application of the new arrangements from 1 July 2017. More details will follow once the exposure draft is released.

In the meantime, if you have any questions relating to these proposed measures or those relating to the supply of digital products and services from overseas, please do not hesitate to contact Suzi Russell-Gilford +61 (2) 8266 1057 or Brady Dever +61 (2) 8266 3467.

Full Federal Court rejects taxpayer appeal in Rio Tinto

The Full Federal Court has, on 24 August 2015, dismissed the taxpayer’s appeal from the decision in *Rio Tinto Services Ltd v Commissioner of Taxation* [2015] FCA 94. In that case, the Federal Court found that the taxpayer was not entitled to

input tax credits on acquisitions related to it making available remote area employee housing in the course of its mining enterprise.

Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

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