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# ***GST Update: Productivity Commission Review on GST Collection Models for Low Value Imported Goods***

15 September 2017

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## ***In brief***

From 1 July 2018, low value goods (AUD 1,000 and under) supplied by overseas retailers to Australian consumers will be subject to Australia's goods and services tax (GST).

The Productivity Commission recently undertook an inquiry dealing with '*Collection Models for GST on Low Value Imported Goods*' and invited interested parties to provide submissions on the effectiveness of the legislated model and whether other models for collecting GST on such goods might be suitable. The final report is expected to be released by **31 October 2017**. This article provides an overview of the review to date.

In spite of the Productivity Commission review, taxpayers should begin preparing for implementing and meeting their new GST obligations on the assumption that the legislated model will remain.

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## ***In detail***

From 1 July 2018, low value goods (AUD 1,000 and under) supplied by overseas retailers to Australian consumers will become taxable supplies.

Under the legislated amendments, the vendor collection model will be used for collecting GST, whereby vendors (including online marketplaces and redeliverers) will collect the GST on low value imported goods at the time of sale. The model is also commonly referred to as the 'expanded vendor' model as the GST obligation can sometimes shift from the vendor to the Electronic Distribution Platform (EDP) (i.e. online marketplaces) or a redeliverer, depending on the supply chain. For further background, refer to our [TaxTalk Alert: GST Update: import of low value goods into Australia to commence 1 July 2018](#).

The new provisions were originally intended to commence on 1 July 2017, however following the Senate Economics Committee review, amendments were made to delay the start date to 1 July 2018. The delayed start date of 1 July 2018 was intended to give suppliers sufficient time to implement the necessary changes to their systems under the vendor model.

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In addition, amendments were made to require the Productivity Commission to review into and report on the new measures by 31 October 2017. Specifically, the Treasurer requested the Commission to undertake an inquiry into the effectiveness of the legislated ‘expanded vendor’ model and to consider whether other collection models (such as transporter or border models) might be more suitable. As part of this assessment, the Commission was also required to evaluate the effects of the model on Australian small businesses and consumers.

### ***Productivity Commission Inquiry***

In commencing the four month inquiry, the Productivity Commission released a Discussion Paper on 28 July 2017, outlining the scope of the inquiry and inviting interested parties to provide written submissions on matters relevant to the inquiry by 30 August 2017.

The Commission received 38 submissions in total from various key stakeholders and participants, including offshore retailers and marketplaces, Australian retail associations, transporter and freight companies and payment intermediaries, as well as other interested individuals such as tax academics. The Commission also held two hearings in Sydney and Melbourne, giving key stakeholders an opportunity to express their views on the best means to extend GST on low value imported goods and their preferred model for implementation. There were a number of different stakeholders represented at the public hearing ranging from marketplaces, local retailers, and transporters to customs consultants.

A number of participants expressed their support for the legislated model although several advocated changes or additions to improve its effectiveness. Several other participants, while supporting the aspirations of the legislators, were critical of the legislated model on the basis that there would be low compliance and limited enforceability. These participants advocated for a transporter model, which imposes the collection of GST on transporters.

The Commission’s final report is expected to be delivered to the Australian Government by 31 October 2017.

The Federal Opposition has indicated that it expects the Government to seriously consider any recommendations of the Productivity Commission. However, the Government has clearly communicated previously its policy that implementation of the vendor collection model as legislated will proceed as planned, and will not be conditional on the outcome of the Productivity Commission inquiry. We note that the Opposition and minority parties have said they will place political pressure on the Government to make changes to the Act if the Productivity Commissioner’s findings indicate a strong preference for an alternative model. However, there is no guaranteed right of review embedded in the law itself.

The Australian Taxation Office (ATO) has also affirmed that the outcome of the Productivity Commission will be unlikely to result in any changes to the legislation and taxpayers need to prepare. The ATO has been consulting broadly with affected taxpayers and will be releasing finalised guidance in due course.

### ***Next steps for affected suppliers***

While it is of course possible that the Productivity Commission review could lead to changes, given Government and ATO statements around implementation expectations, affected taxpayers should begin preparations as soon as possible on the assumption that the legislated model will remain.

The Government and the ATO have been clear that suppliers need to get their systems ready for 1 July 2018 and system limitations is unlikely to be accepted as a reason for not being compliant on 1 July 2018.

Therefore, we recommend suppliers/marketplaces/redeliverers undertake the following steps as soon as possible:

- Identify supplies of low value goods imported to Australian consumers.

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- Assess pricing changes required for imposition of GST.
  - Review agreements to ensure appropriate GST clauses are included.
  - Update customer communications.
  - Check that systems can account for GST on relevant sales from 1 July 2018.
  - Consider how prices will be displayed.
  - Implement processes to identify B2B supplies separately from B2C.
  - Consider whether the EDP/marketplace rules apply and if so, how the GST will be collected on the transaction.
  - Register under the full or limited registration.
  - Consider how to deal with the AUD 1,000 threshold i.e. at an item level or basket level.
  - Consider foreign currency exchange requirements.
  - Consider whether any GST-free provisions apply.
  - Consider any additional charges (e.g. transport and gift wrapping) and whether GST will apply.

### ***The takeaway***

Sellers of low value goods into Australia who have not already done so should consider the impact of the law changes on their businesses and current arrangements as soon as possible to ensure they can be ready when they take effect on 1 July 2018, irrespective of the outcome from the Productivity Commission inquiry.

### ***Let's talk***

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

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