

# ***GST on imported low value goods to commence from July***

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## ***In brief***

From 1 July 2018, offshore low value goods (AUD 1,000 and under) supplied by retailers to Australian consumers will be taxable supplies and subject to Australian goods and services tax (GST).

Under these changes, 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 Australian Taxation Office (ATO) has undertaken a targeted communications strategy, advising taxpayers that may be caught by the measures of their registration obligations and the impact of any non-compliance. The ATO will use all available enforcement strategies to ensure compliance once the measures commence.

## ***In detail***

### ***Overview of the Low Value Goods measures***

The key features for the new provisions are:

- From 1 July 2018, offshore low value goods (AUD 1,000 and under) supplied to an Australian consumer (i.e. an Australian resident who is not registered for GST) will become taxable supplies.
- Supplies connected with Australia resulting from these provisions will be included in the supplier’s GST turnover. A supplier with a GST turnover exceeding the threshold of AUD 75,000 is required to register for GST in Australia.
- Taxable importations into Australia will continue to be subject to GST for sales over AUD 1,000. The measures include provisions to ensure double taxation does not occur. The supply of numerous low value goods in one order would be treated individually (there are some exceptions).
- Electronic Distribution Platform (**EDP**) operators will incur GST liability when supplies are made through an EDP. ‘Redeliverers’ may incur a GST liability on sales of low value goods.
- Customs documentation compliance is imperative when low value goods are brought into Australia. An entity that is registered or required to be registered making an offshore supply of low value goods must ensure that customs documentation includes its GST registration number (Australian Business Number (**ABN**) or ATO reference Number (**ARN**)), the recipient’s ABN (if it has been provided by the recipient) and if GST has already been paid on the imported goods.

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- Under these new laws, non-resident suppliers will be able to access a standard and simplified GST registration. Taxpayers under the simplified registration system will only need to lodge a simplified Business Activity Statement (**BAS**) quarterly through the new electronic portal.

### ***Law Companion Rulings***

The ATO has finalised its guidance in the form of the following Law Companion Rulings (LCR):

- [LCR 2018/1: GST on low value imported goods](#)

This Ruling discusses the GST payable on a supply of low value goods, how to accommodate the changes in the GST treatment of these supplies, and how the new law interacts with the other rules concerning supplies connected with Australia.

- [LCR 2018/2: GST on supplies made through electronic distribution platforms](#)

This Ruling explains how GST will apply to supplies made through EDPs, and the specific rules around what supplies are subject to the new EDP GST rules.

- [LCR 2018/3: When is a redeliverer responsible for GST on a supply of low value imported goods](#)

This Ruling provides clarity as to who is, and is not, a redeliverer for GST purposes, and who is responsible for the GST payable when there are multiple redeliverers of a supply or supplies.

### ***ATO communications and compliance strategy***

The ATO has commenced a targeted communication strategy with online retailers, EDPs and redeliverers ascertained from a list of potentially up to 5,000 impacted entities that it expects may have a requirement to register and account for GST under these measures. This list has been obtained through information sharing with other revenue authorities, customs data and their own research.

The ATO has sent out an initial round of letters advising impacted taxpayers that there may be a requirement to register, and will follow up these letters with further communications. The ATO will be monitoring registrations, and if an entity does not become registered it is our understanding that the ATO will require an explanation. We also understand that the ATO has been calling the top 100 impacted entities.

The ATO will also be holding information sessions for impacted clients in overseas locations including New Zealand, China, United States and countries in the European Union (EU).

The ATO has already commenced compliance activities for the inbound intangibles measures introduced in July 2017, and has issued assessments in instances of non-compliance. We would expect the ATO will take a similar approach in relation to the low value goods measures. The ATO has also clearly stated it will use all available powers to ensure compliance (in cases where their initial education / communication strategies fail) and this may include:

- Raising default assessments.
- Seeking judgment against taxpayers to get the matter into the public domain.
- Writing to other tax authorities or other regulators regarding non-compliance in Australia.
- Garnisheeing payments from Australia.

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- Geo-blocking the website; and
  - Seizing assets held in Australia.

We understand many foreign jurisdictions (for example New Zealand) will be looking to Australia's experience with these measures when considering whether to introduce similar GST rules.

### ***The takeaway***

Given that the ATO will use all available enforcement strategies to ensure compliance with the new rules from 1 July 2018, it is our strong recommendation that suppliers, marketplaces and redeliverers undertake the following steps as soon as possible:

- Identify supplies of offshore low value goods sold to Australian consumers and assess pricing changes and how prices should be displayed (taking into account Australian consumer laws).
- Update systems to calculate GST on relevant sales, noting that there are differences in the method for calculating whether an item is under or over AUD 1,000, and calculating the GST payable.
- Implement processes to differentiate B2B from B2C.
- Update systems to be able to issue customer notifications where required.
- Consider whether EDP/marketplace rules apply.
- Register under standard or simplified registration.

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

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

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