
GST update: import of low value goods into Australia to commence 1 July 2018

28 June 2017

In brief

The *Treasury Laws Amendment (GST Low Value Goods) Bill 2017*, which applies Australian Goods and Services Tax (GST) on certain supplies of low value goods purchased by consumers and imported into Australia, was passed by Parliament following the agreement of the House of Representatives of the Senate amendments that included the delay in the start date to 1 July 2018 (instead of 1 July 2017) and a requirement for the Productivity Commission to conduct an inquiry into the measure. The Bill is now enacted into law having received Royal Assent on 26 June 2017.

In detail

Low Value Goods Bill

The key features for the new provisions are as follows:

- From 1 July 2018, low value goods (AUD 1,000 and under) supplied by overseas retailers to Australian consumers would become taxable supplies. These measures would also apply to Australian retailers that use a drop shipment model (i.e. direct shipping to Australia from outside of Australia).
- An ‘Australian consumer’ means an Australian resident that is not registered for GST in Australia.
- Supplies that become connected with Australia as a result of these provisions will be included in the supplier’s GST turnover. If the entity’s GST turnover exceeds the registration turnover threshold of AUD 75,000, it is required to register for GST in Australia.
- GST will continue to be payable at the border for sales over AUD 1,000 upon importation of the goods into Australia (i.e. ‘taxable importation’).
- The supply of a number of low value goods in one order would be individually treated as low value goods, even if they would be over AUD 1,000 in aggregate (although there are some limited exceptions to this).

- Where supplies of low value goods are made through an Electronic Distribution Platform (EDP), the GST liability on these supplies would shift to the operator of the EDP (i.e. generally, online marketplaces that act as intermediaries). The Australian Taxation Office (ATO) has released a draft Law Companion Guideline (LCG 2017/D4) dealing with the EDP provisions.
- The GST liability on sales of low value goods may also shift to ‘redeliverers’ (service providers that assist individuals obtain goods from foreign suppliers, for example, by providing a mailing address for delivery in a particular jurisdiction and then arranging the transport into Australia). Therefore, international transport may no longer be GST-free if it is provided by an entity in relation to the taxable supply of low value goods and the entity is a redeliverer. The ATO has released a draft Law Companion Guide (LCG 2017/D5) dealing with redeliverers.
- Suppliers of low value goods would not be required to issue tax invoices.
- To ensure compliance, the Commissioner of Taxation requires additional information when low value goods are brought into Australia. Any entity that is registered or required to be registered making an offshore supply of low value goods must ensure that its GST registration number (i.e. Australian Business Number (ABN) or ATO Reference Number (ARN)), the recipient’s ABN, and the supply –to the extent it is a taxable supply – is included on the relevant customs documentation.
- There are provisions to ensure that the supply of goods is not subject to double taxation (i.e. when GST is charged at point of sale and again at the border).
- The ATO will be engaging with impacted taxpayers.

The new provisions were originally intended to commence 1 July 2017, however following the Senate Economics Committee review, amendments were made to delay the start date to 1 July 2018. In addition to the amended start, the original provisions were amended to require a Productivity Commission to review into and report on the new measures 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 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. The ATO has also affirmed that the outcome of the Productivity Commission will be unlikely to result in any changes to the legislation. Therefore, it is questionable whether there is any point in conducting the Productivity Commission inquiry, and we strongly advise that taxpayers not delay in planning to make changes to their systems.

Limited registration for GST

Under these new laws, non-resident suppliers will be able to access a limited and simplified GST registration (they can also register under the full registration). Taxpayers under the simplified registration system will only need to lodge a new, simplified Business Activity Statement (BAS) quarterly through the new electronic portal. Taxpayers under the simplified registration system will not be able to claim input tax credits. Furthermore, as an ARN will be used in lieu of an ABN, taxpayers under the simplified registration system will not be able to issue tax invoices.

Next steps for affected suppliers

As stated, taxpayers should not rely on the outcome of the Productivity Commission and should begin preparations as soon as possible. The Government expects that the delayed start date of 1 July 2018 should give suppliers sufficient time to implement the necessary changes to their systems on the basis of

the vendor model. The Treasurer, the Hon. Scott Morrison, has clarified that the Government would not look favourably on businesses who fail to do so closer to the start date.

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

- Identify supplies of low value goods to Australian consumers.
- Review agreements to ensure appropriate GST clauses are included.
- Update customer communications.
- Assess pricing changes required for imposition of GST.
- Check that systems can account for GST on relevant sales from 1 July 2018.
- Implement processes to identify B2B supplies separately from B2C.
- Consider whether the EDP apply.
- Register under the full or limited registration.

The takeaway

Sellers of low value goods into Australia who have not already done so should consider the impact of these rules on their businesses and current arrangements as soon as possible to be ready for the changes when they take effect on 1 July 2018.

Let's talk

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

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