
GST: Import of low value goods into Australia taxed from 1 July 2018

15 November 2017

In brief

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

Under these changes, the vendor collection model will be used for collecting goods and services tax (GST) in Australia, whereby vendors (including online marketplaces and redeliverers) will collect the GST on low value imported goods at the time of sale.

In detail

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 will become taxable supplies for Australian GST purposes. These measures 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 supplier’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 shipment order would be individually treated as low value goods, even if they are 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 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).
 - Suppliers of low value goods are 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 that makes 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 nature of the goods supplied – 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.

Under these new laws, non-resident suppliers will be able to access a limited and simplified GST registration or they can register under the full registration system. Taxpayers under the simplified registration system will only need to lodge a 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.

The takeaway

We recommend suppliers/marketplaces/redeliverers undertake the following steps as soon as possible:

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

Let's talk

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

Michelle Tremain, Perth
National Indirect Taxes Leader
+61 (8) 9238 3403
michelle.tremain@pwc.com

Peter Konidaris, Melbourne
+61 (3) 8603 1168
peter.konidaris@pwc.com

Brady Dever, Sydney
+61 (2) 8266 3467
brady.dever@pwc.com

Mark Simpson, Sydney
+61 (2) 8266 2654
mark.simpson@pwc.com

Adrian Abbott, Sydney
+61 (2) 8266 5140
adrian.abbott@pwc.com

Stephanie Males, Canberra
+61 (2) 6271 3414
stephanie.males@pwc.com

Matt Strauch, Melbourne
+61 (3) 8603 6952
matthew.strauch@pwc.com

Ross Thorpe, Perth
+61 (8) 9238 3117
ross.thorpe@pwc.com

© 2017 PricewaterhouseCoopers. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers a partnership formed in Australia, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. This publication is a general summary. It is not legal or tax advice. Readers should not act on the basis of this publication before obtaining professional advice. PricewaterhouseCoopers is not licensed to provide financial product advice under the Corporations Act 2001 (Cth). Taxation is only one of the matters that you need to consider when making a decision on a financial product. You should consider taking advice from the holder of an Australian Financial Services License before making a decision on a financial product.

Liability limited by a scheme approved under Professional Standards Legislation.