

CUSTOMS LOW VALUE IMPORT PROCESSING

ACHIEVING TAX NEUTRALITY

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It is designed to resolve a long standing problem in Australian Customs by changing key parameters and implementing a low cost /high benefit, phased approach to restore Tax neutrality in the clearance of low value imports.

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OBJECTIVES

Cost effective clearance of low value imports.

Majority of commercial imports assessed and prepaid by overseas suppliers.

Remainder assessed and prepaid by carriers or brokers using similar technique.

Achieve maximum revenue and restore revenue neutrality.(ie all goods whether imported or not attract the same taxes).

KEY FACTORS

Threshold

Minimum (efficient) collection amount.

Door to door delivery.

THRESHOLD has been widely misused as a descriptive term. In international Customs terminology the threshold is the value above which a full import declaration (FID) is required .Australia currently has an FID threshold of \$A1000. USA and Canada have recently agreed on\$2,500.The threshold link to FREE was introduced when GST was introduced. That link should be removed by a simple Tariff Proposal. A later phase would allow the FID threshold to increase to international standards. Lower clearance costs will result.

A MINIMUM COLLECTION AMOUNT should be determined by Customs CEO using an existing delegation. It could be lower than \$5.

DOOR to DOOR deliveries are significant.

They are vital to the buyer but they are a barrier to revenue collection. They are a preferred method of sale and delivery by suppliers.

Customs can allow door to door provided taxes are included in the sale price and the supplier returns the tax component to Customs.

In the short term a simple method is available to do this. In the longer term (say after 12 months) high volume accredited suppliers may report and pay on a periodic basis.

KEY ACTIONS

Remove the rate of FREE link to the A\$1,000 threshold.

Approve a new minimum collection amount for commercial and non-commercial shipments. (CEO delegation). Valuation for on line orders based on money price paid-normally credit card charge.

Review the A\$1,000 threshold (for FID) following 12 months experience of the new scheme.

REVIEW HANDLING AND CLEARANCE CHARGES.

They are not necessary for supplier assessed/pre-paid shipments.

REVIEW scope to collect Customs duties on key items such as footwear, apparel and electronics which together are half of all low value imports.

IMPLEMENTATION to be phased with

- early warning to buyers and suppliers
- additional casual staff to ensure shipments are not unduly delayed in the transition period.

Introduction of a simplified assessment and collection system in Australia similar to the proposed supplier assessment system.

These measures will be needed to ensure suppliers see the will of the government and the advantages of compliance.

LOW COST /EARLY DELIVERY SOLUTION

This package is a low cost solution. Only revenue accounting requires simple Customs automation. Implementation could be effected within 3 months.

The foregoing principles, objectives and parameters are important elements of the solution but on their own do not solve the problem.

Prepaid REVENUE STAMPS are the key that allows overseas suppliers to assess and pay GST and Customs duty on each transaction before shipment. This allows door to door delivery without intervention. Each stamp fulfils the role of assessment, revenue collection and receipt.

This is an optional supplier assessment system (SAS) where suppliers and buyers want speedy, direct, door to door delivery with no additional handling costs being required.

Where suppliers have not chosen the SAS preferred option prepaid revenue stamps in a different series of stamps may be purchased and stamped on arrival by authorised carriers. These transactions will incur a handling charge. This is the basis of the Carrier assessment system (CAS).

Customs will establish audit programs of suppliers, carriers and shipments and continue existing controls for quarantine, drugs and the like.

Existing assessment and collection systems remain as a third option.

A website will be required to-

Inform suppliers of Customs requirements

Register SAS supplier details prior to stamp purchases including product descriptions and tax rates

Record supplier stamp purchases.

Australia Post should have first offer to produce and distribute SAS and CAS revenue stamps with on line ordering and express delivery, link to registration and monthly revenue accounting to Customs .

Statistics May be derived from an analysis of registration of products and revenue.

Suppliers will need to enhance their product costings to advise buyers of revenue component in a way similar to the freight options to Australia. (see Amazon.com)

COSTS AND BENEFITS

Costs

This is a low cost/high benefit solution. Low cost because the workload is placed on the supplier who can choose the generally preferred SAS option to achieve door to door delivery. Customs staff costs are limited to minimal supplier and shipment auditing.

The current \$1.000 threshold system is totally unfair to Australian retailers, the 1.2 million Australian retail employees at risk, the general taxpayer and State Governments.

Responsibility for ensuring stamps are applied will rest with carriers. Bulk shipments may be simply sampled eg LCL and FCL shipments.

Customs will need to provide and monitor a website jointly with the stamp provider, maintaining an accounting system for sale and distribution.

Negotiations with the stamp supplier will involve a commission on sales and distribution.

No handling costs are required for SAS shipments.

Carriers will be entitled to collect an agreed handling fee for CAS shipments to cover intervention including Customs assessment and collection. Internationally those fees are around \$A20.

BENEFITS

Estimates of lost revenue over past years have varied widely and are unreliable. Add to that the difficulty of determining the impact of moving from a no tax environment to a new environment where commercial shipments may simply pay normal GST and Customs duties. The impact on buyers is another difficult factor.

Customs duties are rarely mentioned because they are not nearly as simple to determine and collect as a GST rate of 10%. Nevertheless some items such as fashion goods at 10% equate to the GST rate and are a high proportion of

shipments. In Phase 1- the first year, key items of reasonable levels of trade should be assessed and duty paid. A short Tariff approach is recommended bearing in mind the need for simplicity for SAS suppliers.

A long term benefit will flow in Stage 2 when Stage 1 is reviewed after 12 months and the \$A1,000 FID threshold is compared with current international standards. US and Canada threshold is now \$2,500. Savings to Customs and importers will result.

Statistics Bureau were offered \$1.2 million to upgrade on line statistics over 4 years in 2012. Analysis of stamp sales and supplier profiles should enable less costly and more accurate statistics in phase 1 and a further improvement in phase 2.