

14-July-2017

Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Submission to the Inquiry on:
Collection Models for GST on Low Value Imported Goods

I make this submission as a concerned private citizen.

In my opinion it sets a very damaging precedent if any taxing jurisdiction requires overseas vendors to assess, collect and remit a tax on goods exported to that jurisdiction.

The primary issue I see is: what happens if other jurisdictions in the world do the same thing? There are approximately 196 countries in the world, and many more taxing jurisdictions. If they apply the same policies, then every Australian exporting entity (i.e. person, small company, or large company) would be required to research and then possibly assess, collect, and remit a tax on exports. This would impose the following new burdens on each of those Australian entities:

- determine the correct rate of tax *prior* to the sale. Each taxing entity would be different and different goods (e.g. food) may have different tax rates.
- quote a price including this tax.

If the tax rate is not zero, and the sale is completed then:

- collect the tax;
- register as a Tax Payer with the overseas jurisdiction;
- remit the tax.

As a hypothetical example, assume the USA applies similar policies as Australia in time. In the US where sales taxes are levied at different rates per state, and possibly per item type.

- A small Australian company is asked to quote the sale of a good or service to a customer in California.
- The Australian company must:
 - research and determine the correct taxation rate for imports of that type of good or service from Australia into California;
 - quote a price including that tax.
- Assuming they win the sale:
 - receive the payment;
 - get a tax payer number with California;
 - remit the funds.
- If the Australian company makes a subsequent sale to Florida, USA (or France, or South Africa, or ...) the above process must be repeated including the research.

There is a major real-world impact for all Australian vendors wishing to sell for export using their own website. The issue is that quotes including tax must be

presented to potential customers *in real time*, so that the customer can confirm the purchase and pay online. If foreign tax entities start applying vendor taxation on exports, it will be an almost impossible task for Australian vendors to maintain a different tax rate for *each product type* sold to *each jurisdiction* worldwide. The obvious result is that many Australian vendors withdraw their products from online sale by export as it will be just too difficult to ensure accurate taxation collection on exports.

I would ask that the inquiry carefully consider all costs of any proposed collection method assuming other taxing jurisdictions follow the Australian precedent. Those costs would include:

1. Value of loss of future Australian export sales; due to higher prices as well as vendors withdrawing from the export market. This will not be zero.
2. The non-trivial costs of the administrative burden on Australian vendors.

Summary

If Australia sets this precedent, other G20 countries may follow suit in time. This would result in new costs and loss of exports for Australians, which should be considered by this inquiry as part of any Cost/Benefit analysis to see if the benefits significantly outweigh all the costs.

Yours sincerely,

Robert Clark