



ATO submission

Productivity Commission review into the Collection Models for GST on Low Value Imported Goods

Overview

In recognition of the Productivity Commission review into the collection models for GST on low value imported goods, the Commission has invited the ATO to make a submission. Our submission addresses information relevant to the implementation of the legislated model.

The ATO is currently executing a comprehensive strategy to implement the legislated model by 1 July 2018. Our approach is founded upon fostering willing (voluntary) participation, achieved through the following principles:

- > Understanding our client base
- > Communicating with our client base so that they understand their obligations
- > Developing guidance products to make it easy for clients to understand their obligations
- > Providing direct support for our client base, including:
 - Providing clients with an electronic interface which makes it easy for them to register for GST as well as pay and report their GST liabilities
- > Active compliance should only be necessary in respect of those clients which choose not to comply.

The ATO notes that any recommendations which Parliament chose to enact which change the current legislated model, or a departure from it, would impact implementation of this strategy.

Understanding our client base

Since 2016, the ATO has invested resources to model and assess potential registrants likely to be required to register for the low value goods measure. This activity has been informed by a number of third party sources. We continue to make appropriate refinements and are also undertaking exchange of information requests with other jurisdictions.

Our client base modelling provides us with a business' activities, location and contact information. As at September 2017, we hold information that has identified up to 3,000 businesses that may be required to register.

Communicating with our client base

The ATO has already commenced deployment of a comprehensive communications strategy comprising three key elements: aware, prepare and take action. We are currently in the aware phase of this strategy. In the first year, our focus is to communicate, educate and assist affected businesses to comply.

We are producing communications products like media releases, website guidance, social media and communications channels that cater to our overseas client base. Beyond this, we are also working with an external public relations agency to target our communications to key international media and which complements our domestic campaign.

More directly, all our potential registrants will be contacted by the ATO to inform them of their obligations and how they can seek assistance. We will also provide targeted face-to-face engagement activities with international businesses, tax professionals and supply chain entities in key jurisdictions.

Developing guidance products

The ATO is developing 'self-help' products for the LVIG measure. These products are designed to cater to varying levels of taxation sophistication and differing needs in understanding the operation of the law.

Together with affected key business partners and tax professionals, we have developed a range of general advice products and we are also recording a webcast for the ATO's website. Key information is also being translated into simplified Chinese.

Our consultation has also assisted with the development of draft law companion guidelines that explain how the law will apply and administrative details such as the information requirements and methods for converting amounts into Australian dollars.

Providing direct support for our client base

The ATO is duplicating the successful Client Relationship Manager (CRM) strategy used for the GST on imported services and digital products measure. CRMs will be allocated to the largest, most influential businesses, electronic distribution platforms and re-deliverers to offer direct assistance.

The administrative design of this low value imported goods model will also allow non-resident businesses to access the same limited registration 'pay only' rules established under the 'services and digital products' measure. They will not have access to input tax credits but can access a separate simplified portal (with no upfront proof of identity) to register, report and remit GST payable on a quarterly basis. This ensures it is easy for businesses to register and subsequently report their GST liabilities.

Ensuring compliance

The ATO has an expectation that business will comply with the law. To date, we have been encouraged by the willingness of businesses, tax professionals and others to engage with us in a constructive way. Already, we have had a number of businesses and tax professionals make contact with us to seek information on appropriate steps to comply and how they can register.

More specifically, our compliance activities fall across a broad spectrum, some of which (raising awareness and understanding, support, and administrative design), have been

discussed above. More traditional compliance activities will be based on a risk assessment of the situation, and will be proportionate to the degree of risk assessed.

As with other ATO compliance strategies, the engagements under this measure will range from 'no touch' through to higher intensity products and approaches. We will also be encouraging businesses and consumers to report instances of non-compliance through the established online ATO process.

With regard to the new penalties and existing penalties (such as failure to register or lodge), the ATO will take an approach that is commensurate with the behaviour of business and we will assess whether they have taken reasonable steps to comply. In this respect, it is worth noting that the legislated model received royal assent on 26 June 2017 and the ATO has been active in its communication of this change from that time.

The ATO has long experience with managing the Australian tax obligations of non-resident populations. Many non-residents have been required to register for and account for GST since it commenced in 2000. We have well-established processes for identification, communication and monitoring of these taxpayers across obligations such as registration, reporting and payment. These have been, and will continue to be, utilised for the foreign businesses affected by this legislation.

- > Where appropriate, the ATO Commissioner has the power to register a non-resident business and to issue default assessments
- > The ATO can also activate international bilateral and multilateral treaties governing taxation, as well as the Convention on Mutual Administrative Assistance in Tax Matters, to undertake exchanges of information with other jurisdictions and to seek assistance in recovery of tax debts.

Additionally, we are establishing new processes specifically for this measure, including enhanced data matching capabilities with the Department of Immigration and Border Protection in relation to importations of low value goods. This will complement our existing sources of information such as financial transaction tracking.