



Ms Melinda Cilento  
Commissioner  
Productivity Commission  
GPO Box 1428  
CANBERRA CITY ACT 2601

Via email: [tom.nankivell@pc.gov.au](mailto:tom.nankivell@pc.gov.au)

30 August 2017

Dear Commissioner,

***Re: Collection Models for GST on Low Value Imported Goods***

Please find **attached** a joint submission to your inquiry from eBay, Alibaba Group and Etsy. The document is a policy paper commissioned by our companies from Aegis Consulting Group. It has been compiled by Aegis managing director Vish Beri and the Hon. Dr Peter Hendy. We commend the findings to the Commission.

As online third-party marketplaces, our companies are opposed to the problematic collection model proposed by the Australian government. The legislation's reference to "Electronic Distribution Platforms" (EDPs) reveals the fundamental misunderstanding of our businesses. We do not distribute or supply tangible products and our business models do not support the collection or remittance of GST.

Our companies allow businesses and individuals to create online shopfronts. It is the *sellers* using our marketplaces who own, control, warehouse, price and distribute their products. This is why Australian sellers using our platform collect and remit GST. Our businesses do not.

To comply with the legislation from 1 July 2018 our businesses can prevent Australian buyers from accessing the online shopfronts of foreign sellers. Competition, productivity and choice would be reduced, and no additional revenue would be collected, remitted or owed.

**Top Issues for Consideration:**

- **Electronic marketplace collection of GST:** We submit that 3P online marketplaces be exempt from collection and remittance of GST, as the payment systems are. Instead the Productivity Commission should recommend a true seller registration model and follow the HMRC model in the UK. If sellers above the turnover threshold do not collect and remit the GST to tax authorities, 3P marketplaces prohibit those sellers from using our marketplaces or the marketplace then becomes liable. This carve out would see 3P marketplaces working with tax authorities to identify non-compliant sellers and would ensure that 3P marketplaces can comply with the legislation and not be forced to stop foreign imports.
- **Logistics model:** We support a border/transporter model that does not treat 3P marketplaces as suppliers, and one which builds on the model proposed by the Low Value Parcel Processing

Taskforce. As the attached policy paper notes, the legislated model is inferior from regulatory efficiency, trade and productivity points of view.

- **Multilateral approach to indirect tax reform:** We recommend a multilateral approach and alignment by all countries with the OECD consultation timelines of 2021. Taxing ecommerce cross-border trade requires a global solution, not ad hoc, unilateral moves. The few supporters of Australia's new non-tariff barrier are motivated solely by a desire for protection from foreign trade. This invites a response from other nations and will ultimately be damaging to Australian productivity, consumers and small businesses.
- **Impact on Small and Medium Enterprises (SMEs):** Reciprocity by other nations is a great concern to SMEs who rely on exports for their income. Uniquely, small business sellers using a platform will not even need to meet the \$75,000 threshold before they must start charging Australian consumers GST. This is punitive and will create market distortions.
- **Impact on Consumers:** There will be less choice and competition for Australian consumers. A poll commissioned by eBay and conducted by JWS Research from 10-14 August 2017 found that only one fifth of Australians support the legislated model. Nearly half of Australians agree the current vendor model *"won't work because there is currently no practical way of forcing overseas businesses to abide by Australia's GST law"*.

Thank you for allowing our companies to provide evidence at the Melbourne hearings, and thank you in advance for consideration of the third party online marketplace position and recommendations.

Yours sincerely,

**Kristen Foster**

**Director, Government Relations, eBay Australia, New Zealand, Japan and South East Asia**

**James Hudson**

**Director, Government Relations, Australia and New Zealand, Alibaba Group**

**Angela Steen**

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