Supplementary Submission to the Productivity Commission regarding its Inquiry on Collection Models for GST on Low Value Imported Goods

Amazon thanks the Productivity Commission for the opportunity to respond to supplementary submissions filed by Australia Post and the Conference of Asia Pacific Express Carriers (Australia) Limited (CAPEC). Please find below a summary of Amazon's responses to their respective submissions as well as attached point-by-point responses to the key assertions included in their submissions.

As detailed in Amazon's 4 September, 2017 submission to the Productivity Commission, the Goods and Services Tax (GST) collection model included in the *Treasury Laws Amendment (GST Low Value Goods) Act 2017* ('Legislated Model') will be significantly less effective than the Modernised Transporter Model ("MTM") in several critical aspects:

- *Enforcement:* The Legislated Model is virtually impossible to enforce because it depends on voluntary compliance from many thousands of offshore vendors and marketplaces that are difficult to identify <u>and</u> are not subject to Australian jurisdiction. By contrast, the MTM can be enforced on a limited number of entities operating in Australia and subject to Australian jurisdiction.

- *Compliance*: Because the Legislated Model lacks effective mechanisms to detect and enforce compliance, compliance with the Legislated Model is essentially voluntary. The Australian Treasury estimates that it will only be able to collect GST on just over half of low value goods imported into Australia ('LVIG') five years after implementing the Legislated Model. By contrast, under the MTM, the Australian Government could collect GST on 94 per cent of LVIGs by 1 July 2022.

- *GST Collections*: The Legislated Model will result in substantially less GST revenue for Australian States and Territories relative to the MTM because of its unenforceability and low compliance. By contrast, the MTM will yield twice as much GST revenue in Year 1 of implementation and $1.5 billion more over five years. That means that under the MTM, New South Wales could net an additional $432 million in GST revenues over five years, $349 million for Queensland, $343 million for Victoria, $148 million for South Australia, $78 million for the Northern Territory, $56 million for Tasmania, $49 million for Western Australia, and $28 million for the Australian Capital Territory.

- *Level Playing Field*: At maturity, the Legislated model is projected to only have just over 50 per cent compliance (with half that effectiveness projected at launch), which is not a level playing field between Australian retailers and offshore vendors and marketplaces. By contrast, the MTM is projected to have close to 50 per cent compliance at launch, improving to 94 per cent compliance at maturity, thus ensuring a far more level playing field by treating all LVIGs consistently (and enabling GST to be collected on virtually all LVIGs entering Australia).

Neither the CAPEC nor the Australia Post submissions address the fundamental shortcomings identified in the Legislated Model (which are in many cases more significant than any shortcomings identified in the MTM), or acknowledge the clear benefits of the MTM. In many instances, CAPEC and Australia Post appear to have misunderstood the MTM and its simplicity and feasibility. As a result, Amazon believes their concerns are unfounded and has sought to provide clarification to help resolve any misunderstandings or concerns through this supplementary submission.

CAPEC

In its submission, CAPEC argues that the MTM is too complex; that it cannot be implemented by July 1, 2018; that its enforcement challenges are equally difficult relative to the Legislated Model; and that Amazon's compliance estimates are exaggerated.

Amazon's point-by-point response[1] underscores the MTM's simplicity. The MTM clearly works – in fact, express carriers are *already* effectively implementing key aspects of the model for their shipments into Australia valued over $1,000, as (in many instances) they are currently pre-collecting amounts to cover the GST liability on these imports from Vendors, and using these funds to clear GST liabilities due. These funds are passed to them by overseas carriers. Because they already have the necessary data for GST calculation on LVIGs available to them, as well as payment collection and remittance systems in place which are able to be used for shipments into Australia over $1,000, express carriers will be able to comply with a 1 July 2018 implementation date for the MTM.

CAPEC's assertion that both models have similar enforcement challenges suggests misunderstanding of the MTM. Enforcement under the Legislated Model would require enforcement of Australian laws in multiple foreign jurisdictions, depending on where the non-compliant marketplaces or vendors are domiciled, which would be a slow and prohibitively expensive process. The process would be fruitless in many countries including those which do not recognise Australian laws, allow enforcement of Australian judgements or have relevant treaties in place with Australia. By contrast, under the MTM, Australia has the ability to pursue enforcement actions onshore against non-compliant domestic transporters, which are (i) more limited in number, (ii) readily identifiable, and (iii) subject to its own jurisdiction, using domestic laws and courts.

CAPEC's claims regarding compliance costs again seem to misunderstand the Modernised Transporter Model, and are not supported by data. Amazon presented data in its 4 September Productivity Commission submission to demonstrate that overseas marketplaces and vendors will face significant upfront and ongoing compliance costs under the Legislated Model. Amazon also presented independent data that supports that express shippers can achieve a 98 percent compliance in Year 1 under the MTM; and Australia Post can achieve 94 percent compliance by Year 5 using a phased-in approach. CAPEC has provided no evidence or data in its supplementary submission to challenge any of these figures.

Australia Post

Australia Post asserts in its submission that it does not now have the ability to track or identify a significant portion of packages entering Australia, will not have that ability in the near-term, and would incur significant costs to build such capacity. Furthermore, Australia Post argues that it does not have the ability to require foreign postal operators to comply with their bilateral, multilateral, and international commitments regarding data sharing and cost recovery.

However, as evidenced by Australia Post's existing overseas parcel services into Australia[2] (and as further explained in Amazon's 4 September submission and point-by-point response to Australia Post's

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[1] See Attachment 1

[2] AU Post sells pre-paid, trackable parcel and express mail shipments from China to Australia, https://shop.auspost.com.au/pack-and-post/international-post-satchels/china

supplementary submission[3]), Australia Post is already or will soon be exchanging with foreign postal operators, on a per-shipment basis, the necessary data that would enable it to precisely calculate GST on LVIGs. Australia is one of the strongest proponents of the binding and enforceable Universal Postal Union (UPU) agreements that require all 192 Members to exchange such data before January 1, 2020. Australia has the ability to recover from foreign postal operators any outlays for GST remittances to the Australian Government, either through existing UPU agreements or through other bilateral and multilateral agreements (e.g., Kahala Post Group).

We understand Australia Post will not have EAD from all countries for all parcels by 1 July 2018, but it does have data available from major trading partners as well as multilateral and bilateral agreements that can be leveraged to enable collection of GST. The MTM could be implemented through a phased approach so that Australia Post only needs to remit GST on LVIGs once it has both received EAD and has a commercial agreement which allows for the collection of the GST from the originating postal operator.

Additionally, Australia Post does have the ability to require overseas postal operators to comply with their bilateral, multilateral, and international commitments regarding data sharing and cost recovery, through the commitments made and adopted at the 2012 and 2016 Universal Postal Union (UPU) Congresses, held in Doha and Istanbul, respectively[4]. The Australian Minister for Communications may also give a written direction that requires Australia Post to return postal articles received from overseas postal operators which do not comply with the requirements necessary for the GST to be assessed.[5]

In its submission, Australia Post has not provided data regarding mail volume entering Australia from Kahala Post Group, International Post Corporation (IPC) members, or other partner countries through bilateral and multilateral arrangements. This data is highly relevant to its ability to collect and use the necessary data for GST calculation on LVIGs. This data is also relevant to calculating (and validating) Australia Post's compliance costs under the MTM. While Amazon understands that volume, cost and other clearance data can be commercially sensitive, we believe it is vital that Australia Post provides this data to the Commission so that the feasibility of the MTM can be accurately assessed.

Amazon would be happy to answer any additional questions from the Productivity Commission in respect of its submissions, or the MTM more broadly.

[3] See Attachment 2

[4] See, e.g., UPU Resolution C49/2012: "Implementation of Electronic Data Interchange (EDI) Supporting Customs and Transport Security and Other Authorities." http://www.upu.int/uploads/tx_sbdownloader/actCompendiumDecisionsCongressEn.pdf at Page 91; see also, UPU Resolution C15/2016.

[5] *Australian Postal Corporation Act 1989* (Cth) s 28A(3).

Attachment 1 – point-by-point response to CAPEC supplementary submission

(note – this table reproduces comments from CAPEC's supplementary submission in columns 1 and 2, providing Amazon's response in column 3)

PROCESS	CAPEC Comments	Amazon Response
The MTM assumes that: a) Vendor will perform an estimate of GST at the point of sale (checkout) and collect same from purchaser. b) Overseas transporter will charge the vendor an amount to cover the GST payable by the domestic transporter when shipment is imported into AU. c) The domestic transporter receives an amount from the overseas transporter that covers GST and AU domestic delivery charges. d) The domestic transporter calculates GST and reports same as part of its Self-Assessed Clearance reporting process. e) The domestic transporter periodically submits GST in a BAS-like statement.	Similar to the legislated model, under the MTM the overseas vendors still have to collect GST at the point of sale. Therefore, steps b), c), and d) are all unnecessary and add cost and complexity to the process, even more so when the process has to be reversed for product refunds and GST exemptions. In respect of point e), domestic transporters are being held liable for GST estimates that have been made by overseas vendors and overseas transporters, and will find it difficult to recover funds if insufficient GST has been collected at the point of sale. The MTM is either: - a "Ransom" Model, where overseas transporters are responsible for ensuring overseas vendors pass on GST receipts prior to export; or - a de facto "Border Collect" Model holding domestic transporters responsible if overseas vendors and/or transporters have not collected (or have been unable to collect) GST. Under either scenario, delays are bound to occur, resulting in increased costs and a poor customer experience.	CAPEC misunderstands two key things about the MTM. This is neither a ransom model nor a border collect model, for the following reasons: First, "in respect of point e), domestic transporters are being held liable for GST estimates that have been made by overseas vendors and overseas transporters" – this is not correct. Under MTM, the domestic transporter is held liable for the GST due on the shipment, according to the value of goods and shipment value (which are known by domestic transporter). Second, "domestic transporters will find it difficult to recover funds if insufficient GST has been collected at the point of sale" – this is not correct. Assuming the entity shipping the goods and paying the freight/delivery charges (which includes an estimate of the transporter's GST charge) is the Vendor, under the MTM, as is the case now, the description and value of goods is included in the shipment documentation at the point in time when the shipment is passed from the Vendor to the overseas transporter. The overseas transporter can use the same processes it uses now to determine whether to accept goods for shipment based on whether it has received or considers it will receive the required freight/delivery charges (which includes an estimate of the transporter's GST charge) from the Vendor who is shipping the goods, estimated based on the value of goods and

		shipment value. Collection of the freight/delivery charges (and the estimate of the transporter's GST charge) by the overseas transporter from Vendors can be settled upfront or through credit agreements. The estimate of GST by the vendor will not affect the ability for transporters to require payments to cover expected GST liability upfront, or recover funds where credit arrangements are in place, to cover the actual GST liability from the Vendor. Example 1: the vendor charges the customer \$100 for goods and \$21 for freight/delivery (\$10 for shipping and an estimate of \$11 for GST, 10% of \$100+\$10). When the vendor visits an express carrier or Post office to ship the product, the shipping charge is \$10 and the overseas transporter calculates \$11 for GST (per the instructions from the domestic transporter) and charges \$21 for freight/delivery. No discrepancy.

		Example 2: the vendor charges the customer $100 for goods and $10 for freight/delivery ($10 for shipping and nothing additional for estimated GST, $100+$10). The vendor has forgotten to pre-estimate and charge GST. When the vendor visits an express carrier or Post office to ship the product, the shipping charge is $10 and the overseas transporter calculates $11 for GST (per the instructions from the domestic transporter). The vendor must pay the carrier $21 or the carrier will not accept the shipment. To ship the goods the vendor will incur a shortfall of $11, unless they have a basis for going back to the purchaser to request additional payment. Either way the transporter, (overseas or domestic) does not incur a shortfall. Example 3: the vendor charges the customer $100 for goods and $21 for freight/delivery ($10 for shipping and an estimate of $11 for GST, 10% of $100+$10). When the vendor visits an express carrier or Post office to ship the product, the shipping charge is $5 and the overseas transporter calculates $10.50 for GST (per the instructions from the domestic transporter) and charges $16.50 for freight/delivery. The vendor will pay the carrier the lesser amount and can issue a refund to the customer. The risk of overestimating shipping in this way is not a risk unique to the MTM - it can also occur under the legislated model. Finally, in many cases, transporters already collect upfront from Vendors (like Amazon) amounts to cover the estimated GST liability on the import of goods with a customs value of over $1,000 into Australia. As such, it is reasonable to conclude that

		transporters will be able to implement the MTM using the same commercial agreements and processes to ensure that they have sufficient funds to meet their GST obligations under the MTM in respect of LVIGs.

The MTM appears to object to the legislated model requiring a "precise calculation" of GST and advocates for an estimate only. (Page 18)	Similar to the legislated model, under the MTM the overseas vendors still have to collect GST at the point of sale. Therefore, steps b), c), and d) are all unnecessary and add cost and complexity to the process, even more so when the process has to be reversed for product refunds and GST exemptions. In respect of point e), domestic transporters are being held liable for GST estimates that have been made by overseas vendors and overseas transporters, and will find it difficult to recover funds if insufficient GST has been collected at the point of sale. The MTM is either: - a "Ransom" Model, where overseas transporters are responsible for ensuring overseas vendors pass on GST receipts prior to export; or - a de facto "Border Collect" Model holding domestic transporters responsible if overseas vendors and/or transporters have not collected (or have been unable to collect) GST. Under either scenario, delays are bound to occur, resulting in increased costs and a poor customer experience.	The MTM does not object to a "precise calculation" of GST. Under the MTM, the "precise calculation" of GST is made by the domestic transporter, according to the description and value of goods included in the shipment documentation and which are known by domestic transporter.
The MTM claims to enable consumers to make a single upfront payment. (Page 26)	This may be true, but so does the legislated model (without the additional steps and complexities).	Both models feature a single payment - but under the Legislated Model, in the majority of cases initially, and in 46% of cases at maturity, GST will simply not be charged and collected or it will be collected and not remitted (an even worse outcome for consumers). MTM has significantly higher rates of compliance, providing a more level playing field for Australian retailers and higher collection of GST.

The MTM credit/refund process for goods that are misclassified or returned to origin (Page 31) is extremely complex and cumbersome because of the way it flows back through the domestic transporter (who remits the GST to the ATO), the overseas transporter, and then onto the vendor.	The legislated model is far more efficient and avoids a negative and confusing customer experience, i.e. consumers do not have to obtain a refund of the GST from the domestic transporter and a refund for the goods from the overseas vendor (as they would under the MTM). The inefficiency of the MTM would also be magnified for vendors that pride themselves on providing good returns processes which are becoming an increasingly important factor in consumer experience and choice. In addition, the current Customs Regulations would need to be amended to allow grounds for refunds.	It is unclear to Amazon how many of the same concerns CAPEC raises relating to returns are alleviated by the Legislated Model. For example, how will a consumer compel an offshore Vendor to provide a refund of GST under the Legislated Model? Vendors will be able to decide whether they voluntarily provide refunds, as there will be no way to legally compel them to, and no consequences if they do not. The MTM provides customers improved options, as the customer can either go to the local transporter or their Vendor (as described below) for refunds. Either way the local transporter will not be out of pocket if they issue refunds as they can adjust for these in their GST returns. Under the MTM, if the carrier handling the returns is the same as the carrier that entered the goods, then a single refund can be facilitated through the vendor, as the vendor will have a relationship with the carrier that entered the goods (having contracted with that carrier for the original shipment), and the carrier will have visibility to both the entry and return of the goods. In this regard, we note that the MTM would not require any amendments to the Customs Regulations to facilitate the return or refund of LVIGs. This is because no customs duty is payable on LVIGs, nor is GST payable to Customs under the MTM. The required legislative amendments to deal with situations where LVIGs are returned or refunded should be made to the GST Act.
ENFORCEMENT & COMPLIANCE	CAPEC Comments	Amazon Response

"The legislated model requires offshore enforcement of Australian laws against each of these businesses in every country in which they operate" (Page 6).	So does the MTM, which requires overseas transporters to invoice and collect estimated GST from vendors. There is no need to have transporters acting as middlemen when vendors can collect GST and remit it directly to the Australian Tax Office. It is essentially a Border Collect Model enforced at the point of origin.	CAPEC appears to have misunderstood the MTM by referring to it as a border collect model enforced at the point of origin. The border agency is not involved in the collection of taxes and there is no ransom or holding of goods for the payment of taxes. The MTM does not require offshore enforcement of Australian laws. Under the MTM, Australian laws are enforced against the domestic transporters, who are required to remit GST; and then the domestic transporters have commercial agreements with (and contractual rights they can enforce vis-a-vis) the overseas transporters to facilitate compliance. The legislated model requires enforcement against thousands of offshore entities in respect of whom Australia may have no jurisdiction, while the MTM enables enforcement to be focused on a small number of onshore entities who are subject to Australian jurisdiction.
"Compliance under the legislated model will be low because it requires offshore vendors/marketplaces operating in different jurisdictions to be aware of the specific and unique requirements of Australian GST law" (Page 16).	The MTM has the same requirements and challenges.	The MTM <u>does not</u> require offshore enforcement of Australian laws, as the domestic transporter (against whom Australian laws are enforced) is responsible for remitting GST due on the shipment based on the description and value of goods included in the shipment documentation. The domestic transporter will already be familiar with GST as it will already be liable for GST on the services it provides, and will already be filing GST returns. The domestic transporter operates and has a presence in the taxing jurisdiction, which is Australia. This is one reason why compliance is significantly higher under the MTM.

"Indeed, a large international business … will incur significantly higher upfront and annual costs to comply due to factors such as the large volume of products … and the scale and complexity of … business". (Page 17-18)	Vendors will need to do this anyway to be able to estimate and collect the GST at the point of sale. Expecting/enforcing overseas transporters and domestic transporters to do the same will add unnecessary layers of cost and complexity, and undoubtedly result in discrepancies between the three parties involved in each transaction in respect of the true amount of GST payable.	Under the MTM, only one party in the supply chain - the domestic transporter - has costs associated with precise calculation of GST and compliance, and the calculation process is simplified as the transporter can calculate the GST based on the description and value of the goods as included in the shipment documentation, via electronic advance data (EAD). Amazon acknowledges that there may also be some costs incurred by Vendors under the MTM to enable them to estimate GST and pre-collect it, and does not object to incurring reasonable costs to do this. However, the costs vendors will incur to estimate GST under the MTM are significantly less than the costs to precisely calculate GST under the Legislated Model. Lower compliance costs will lead more vendors to comply, resulting in more GST revenue. For goods valued over $1000 many vendors already pre-estimate shipping costs (including taxes and duties) and charge customers for these upfront, passing these to the transporter. These processes can be used for GST estimation purposes for the purposes of the MTM. Third party software tools are also available to vendors to enable them to pre-estimate shipping costs (including taxes and duties) at reasonable costs. However, these tools do not provide an accurate means of calculation of Australian GST as they are not configured to a Vendor's unique product catalogue and do not take into account all exemptions and classification criteria under Australian GST law. Amazon has provided

		estimates of compliance costs associated with performing such configuration (based on use of in-house systems) in its submission. Many vendors will simply be unwilling to incur these types of costs to comply with the legislated model, and will elect not to comply with the legislated model or not to ship goods to Australia.
UNSUBSTANTIATED ASSUMPTIONS	CAPEC Comments	Amazon Response
Under the legislated model, "Vendors looking to circumvent the law will easily be able to migrate their goods to non-compliant marketplaces or new marketplaces that operate below the $75,000 threshold" (Page 7).	Overseas and domestic transporters will have no visibility on which vendors are trading below $75,000 per annum into Australia. The MTM therefore implies that the threshold will not be applicable, which is contrary to GST legislation. In essence, the $75,000 threshold cannot exist under the MTM due to the complexity and associated costs involved for vendors and transporters.	CAPEC appears to have misunderstood the MTM. Under the MTM transporters will be able to calculate GST on shipments from all vendors in a consistent way as the A$75,000 threshold will not apply to the vendor. This is a key improvement from the legislated model which adopts an inconsistent approach as it requires sellers below the threshold who sell on platforms to charge GST, while those that sell off platforms are not required to charge GST.

		As stated in Amazon's testimony on 24 Aug 2017 (pg. 120, line 5), under the MTM the A$75,000 threshold could apply to domestic transporters, as they are the entity responsible for remitting GST. Domestic transporters that do not meet or exceed a GST turnover of A$75,000 would not be liable to charge and remit GST. Alternatively, the GST registration turnover threshold of A$75,000 could be removed for domestic transporters, such that they would be required to register for GST as a result of carrying on an enterprise of being a domestic transporter in Australia (irrespective of its GST turnover). This would be similar to the approach currently taken for the taxi industry under the GST Act.
"Australia Post can also achieve a collection rate of approximately 60% by the end of the first year of launching the MTM, and more than 93% within four years" (Page 7).	CAPEC questions the veracity of these claims without further verification from Australia Post. Notwithstanding this, Australia Post achieving a collection rate that is comparable to CAPEC members is essential in avoiding an uneven playing field amongst domestic transporters. The MTM does not provide this parity.	Amazon agrees with CAPEC that it is essential for Australia Post to have similar levels of compliance with express carriers, in order to achieve a level playing field. Based on the data provided by Amazon, recent comments by Australia Post and their existing contractual relationships and technologies, Amazon believes it is within Australia Post's control to achieve similar levels of compliance as express carriers within 4 years, with modest additional technical costs. Amazon addresses Australia Post's collection rates in full in its response to the Australia Post submission (Attachment 2). The legislated model fails to achieve a level playing field for all parties, including CAPEC.

The MTM proposal states that the 2011 Productivity Commission finding that it would cost $2bn to collect $500k of taxes was based on having to perform formal import declarations on all shipments between $100 and $1,000 in value, and was based on a Border Collect Model. It goes on to claim that CAPEC's collection costs would therefore be reduced from over $30.00 to approximately $3.00 per shipment under the MTM.	Under the MTM, the domestic transporter still has to determine what amount of GST (if any) is payable to the ATO. A verification process is therefore required to validate the GST amount collected by the vendor. Moreover, additional processes such as valuation checks and the provision of GST invoices to AU consumers require significant investment. The claim that CAPEC's collection costs would reduce by 90% is untested and fails to recognise the significant volume growth that has occurred in the six years since 2011. Moreover, it does not take into consideration the cost to administer credit requests from consumers and losses for vendors through GST disputes.	First, CAPEC appears to misunderstand that the GST calculation process is simplified under the MTM as the transporter can calculate the GST based on the description and value of the goods as included in the shipment documentation, via electronic advance data. The domestic transporter will, as a result of the information it collects as part of the self-assessed clearance process for LVIGs, have sufficient information to allow it to calculate and remit GST through the BAS process. There is no evidence to suggest this would be a complex or costly process. In addition Amazon has suggested that the MTM allow transporters to use existing documentation (SACs) as tax invoices, thereby avoiding the need for carriers to create new processes for generation and issuance of traditional tax invoices. CAPEC cites costs that do not exist under the MTM. For example, there is no requirement for domestic transporters to validate the amount of GST estimated by the vendor, and the risk of domestic transporters incurring GST losses under the MTM is extremely limited for the reasons previously explained. Second, CAPEC provides no data to support their claim that its costs would be significant, whereas Amazon has cited the assumptions from the 2011 study and showed why those costs would not exist under the MTM, thus resulting in savings of 90%. Third, CAPEC confuses per unit cost with overall cost. For example, it states that significant volume growth since 2011 would result in greater costs - but on a per-unit basis the costs would be the same (or lower, considering economies of scale for

		a given GST collection model). Finally, CAPEC has already stated that it will incur significant compliance costs to comply with the legislated model, in particular requirements relating to collection of ABNs from Vendors which are eliminated by the MTM. The costs transporters will incur under the MTM should be considered in the context of the legislated model which also has cost implications. In testimony to the Senate Committee hearing CAPEC stated that “There is obviously a large investment required” and went on to elaborate on the work required, stating “If we were to change our systems globally based on what Australia wants, what Treasury wants, or what the tax office wants, it would be quite onerous, and if nobody registers then we would have done it for little value. If the process does not work, we would have spent many millions of dollars on a process that does not work.”

“There is significant risk that the legislated model will drive Australians to non-compliant online market places that do not provide similar levels of protection for their customers” (Page 15).	This general statement ignores another general assumption that AU consumers may be quite happy to pay GST to a reputable online operator rather than save GST by purchasing from a grey market site with lower/no controls on credit card fraud, warranty, returns etc. There is strong evidence to suggest that factors other than price, such as product range and convenience, are more important to consumers.	Amazon's statement is based on the earlier Productivity Commission study from 2016 cited in Amazon's original submission.
“As technology advances, new marketplaces will proliferate, as the cost of establishing a marketplace continues to plummet. Vendors looking to circumvent the law will easily be able to migrate their goods onto new marketplaces which operate below the $75,000 threshold, or simply choose to be non-compliant” (Page 16).	CAPEC contends that, should vendors leave EDPs under the legislated model as suggested, there would be significant challenges in terms of promoting their products outside of established distribution channels.	CAPEC’s contention ignores the prior study by the Productivity Commission in 2016, which described this very behaviour by consumers. (Amazon's submission to PC, Page 7, footnote 10.)
The MTM modeling refers to OECD models and guidelines, and points to the “Logistics Model” as being the most certain, simple, and effective (Pages 12 & 20).	An important point to make is that the OECD’s recommendations are made to a wide group of countries, many of which already have some form of Border Collect Model in place and are desperately seeking more efficient alternatives. It is therefore inappropriate to apply these recommendations to Australia, which will have a significantly different model as of 01 July 2018. Both the OECD and WCO have undertaken extensive research into the most effective and efficient GST collection models and do not advocate the Logistics Model as being the universal solution.	The MTM, or a comparable Logistics Model, addresses many or all of the OECD's performance criteria for a GST collection model on low value imported goods. In its 2015 Report entitled 'Addressing the Tax Challenges of the Digital Economy', the OECD produced a scorecard of GST collection models against the performance criteria of neutrality, efficiency, certainty/simplicity, effectiveness, fairness and flexibility. Against this criteria, the OECD scored a logistics model (of which MTM is an example) as the strongest performing model. Additionally, the MTM provides the benefit of greater enforcement than the legislated model, with low costs to the consumer.

The MTM proponents claim that CAPEC can collect 98% of GST.	This is a significantly higher compliance rate than the 70% quoted by the MTM proponent at the Senate Committee Hearing in April 2017. CAPEC members have had no input into the calculation of market penetration of the MTM. Further, it is unclear whether this high collection rate is distorted by including revenue neutral (B2B) transactions that are not part of the legislated model.	CAPEC provides no data to refute the 98% compliance rate, which is identified in the 2015 Copenhagen Economics US study (Private Express Carriers' vs Posts' Treatment of Packages Inbound to the US: Security Risks and Customs Concerns, Table 1, pg. 1), the 2016 Copenhagen Economics EU study (E-commerce Imports Into Europe: VAT and Customs Treatment, Table 3, pg. 3) cited by Amazon in its MTM submission, as well as the Copenhagen Economics Canada study (E-commerce Imports Into Canada: Sales Tax and Customs Treatment, Table 3, pg. 3) funded by UPS showing 98% compliance rate for shipments into Canada. Since express carriers today already submit electronic data for all parcels into Australia, which is analogous to the filings under the border collection models of the Copenhagen Economics studies, similar levels of compliance should be expected for the MTM.
COLLECTION COSTS	CAPEC Comments	Amazon Response
The MTM implies that GST is collected by the vendor as part of a bundling process that includes GST and freight charges (Page 12)	GST paid needs to be specific to the purchaser, not part of a less precise bundling process that could also include insurance, exchange rate conversions, specialised handling costs, warranty etc. GST should not be masked in this process, especially as GST credits will be necessary on some shipments. A transparent Vendor Collect process will mitigate the risk of non-compliance.	CAPEC appears to misunderstand the MTM, under which GST is predictable and easy to pre-estimate. GST would be determined through a simplified calculation method as 10% of the price / value of the goods using the description and value of the goods as included in the shipment documentation, via electronic advance data. This is a simplified process, not one that creates any 'masking' or lack of transparency.

"There is also risk that if the legislated model is replicated in other jurisdictions, vendors/marketplaces will need to incur these costs over and over again to comply with each jurisdiction" (Page 19).	The same principle applies to overseas and domestic transporters under the MTM.	CAPEC appears to misunderstand this point. If the legislated model is replicated in other countries, costs would be borne by vendors, including Australian retailers engaging in cross-border trade, to enable precise GST calculation and compliance with every destination's tax laws. Each Australian vendor would need to develop systems and processes to accurately comply with the tax laws of each export destination, and this could extend to more than 190 countries. However, under the MTM, only a small group of transporters located within each country would need to calculate and remit GST and they would only need to do that in respect of their own country. Under the MTM, Australian transporters would not be responsible for calculating the GST payable in countries outside of Australia. Such GST would be calculated by and charged to them by offshore partners. As a result, (1) there would be no significant impact on Australian retailers who export, and (2) the cost to transporters (both express carriers and national posts) would be relatively modest, given they only need to calculate and remit GST, using a simplified process, in one jurisdiction, and can leverage existing data and systems for this.

"Domestic transporters will be required to incur a one-time capital cost to update their systems and commercial arrangements to ensure they are charging and remitting GST. These costs should be relatively small when amortized over multiple years and millions of shipments" (Pages 19 & 29).	Evidence was provided at the Senate Committee Hearing in April 2017 indicating that the legislated model would lead to significant upfront costs to vendors of ($3.2m) as well as annual ongoing costs ($625k p.a.). CAPEC fails to understand how the MTM would avoid a similar fate for overseas and domestic transporters.	CAPEC has not provided data in respect of its members' estimated costs of compliance with the MTM. Assuming that under the MTM, a one-time setup charge of $3 million would be required for a large transporter (analogous to Amazon's cost estimate of $3.2 million for vendor compliance under the legislated model), and that the transporter will ship at least 2 million units per year, the cost comes to $0.30/shipment over five years, reducing further with more shipments and more years in business. CAPEC's testimony states that in 2014-15 its members - the four companies - brought 8.8 million low-value shipments into the country. As Amazon stated in its original submission, such one-time costs, amortised over many shipments and many years, will be relatively small and have minimal impact on transporters and consumers. Note: Amazon's $3.2 million estimate took into account the many complexities of the Legislated Model. The MTM removes many of these complexities and enables transporters to leverage existing data and systems. Accordingly, lower costs are achievable for transporters under the MTM.
OTHER COMMENTS	CAPEC Comments	Amazon Response

	The MTM fails to highlight that the liability to pay GST that has not been collected overseas falls on domestic transporters. This is an untenable consequence.	CAPEC is unnecessarily concerned, as any shortfall in GST collected will impact the Vendor NOT the domestic transporter. Per the example given in Amazon's response to Issue 1 of this Attachment: *the vendor charges the customer $100 for goods and $10 for freight/delivery ($10 for shipping and nothing additional for estimated GST, $100+$10). The vendor has forgotten to pre-estimate and charge GST. When the vendor visits an express carrier or Post office to ship the product, the shipping charge is $10 and the overseas transporter calculates $11 for GST (per the instructions from the domestic transporter). The vendor must pay the carrier $21 or the carrier will not accept the shipment. To ship the goods the vendor will incur a shortfall of $11, unless they have a basis for going back to the purchaser to request additional payment. Either way the transporter, (overseas or domestic) does not incur a shortfall.* Where an offshore entity does not agree to pay the relevant freight/shipping charges (that include the estimated GST amount) the domestic transporter can choose not to agree to accept the shipment. As a practical matter, (i) overseas transporters will ensure they have a viable method to transport into Australia via a domestic transporter (complying with the requirements of the domestic transporter, which may include a credit arrangement to pay GST in arrears to the domestic transporter) - otherwise the overseas transporter would be very unlikely to accept a shipment into Australia that they have no means of delivering; and (ii) in such a case, the overseas transporter would then ensure the Vendor shipping the goods is paying a freight amount that accounts for GST (accordingly the

		party impacted by underestimation (if any) is the Vendor).
	The MTM provides no "line of sight" for the overseas and domestic transporters as to what the true value of the goods is and what GST is paid. This creates additional record keeping requirements and adds to compliance risk.	GST under the MTM is calculated on a simplified basis using the description and value of the goods included in the shipment documentation that is made available to the domestic transporter using EAD. The information is provided to the domestic transporter in advance as part of the self-assessed clearance process for LVIGs. Further, GST is a simple calculation, or 10% of the total value of the shipment. The domestic transporter therefore has access to sufficient information to simply and correctly calculate and remit the GST on LVIGs.
	Overseas express carriers and postal operators are the only stakeholders referred to in the MTM. However there are many other reporters of Low Value Goods that need to be considered to avoid creating unfair competitive advantages.	CAPEC's concerns are unclear as it refers to other stakeholders but does not list them. Under the MTM, the stakeholders are the purchaser, the supplier, the overseas transporters, the domestic transporters, Australian government agencies, and the recipient (often the same as the purchaser).

	How are exchange rate fluctuations and currency conversions, between the time of GST collection from vendors and remittance to overseas transporters, reconciled?	The same exchange rate considerations arise under the legislated model, albeit they impact vendors rather than carriers. Exchange rate fluctuations should be handled through appropriate amendments to the GST law or its administration (e.g. through ATO issued practice statements). This could operate in a manner similar to the use cases described by the government under the legislated model.
	Overseas express carriers and postal operators would need to establish huge overdrafts to carry GST liability. Has this cost been factored into the MTM?	CAPEC's comment is confusing. "Overdraft costs" were not described in either their 2011 estimate under the border model or their 2012 estimate under the Logistics Model. If these are a material concern we query why the costs were not referenced in those earlier estimates. In any case, the GST liability arising to the domestic transporter does not need to be paid by transporters in advance of them receiving payment for GST. LVIGs can be cleared through customs and delivered to customers without payment of the GST, as GST would be payable to the ATO (not customs) when the next BAS is due which may be monthly or quarterly in arrears. GST can be charged to and collected from overseas transporters either upfront or through credit agreements which align to the transporter's cash flow requirements. In this respect, domestic transporters (in line with all Australian businesses) can manage their working capital to ensure that commercial agreements are drafted to ensure that sufficient cash flow is available to meet GST liabilities (noting that GST will only need to be funded at the time that payment is due to be made to the ATO as part of the BAS process).

	How would small to medium transporters of Low Value Goods, without a global network or presence, comply with the MTM?	Per Amazon's testimony on 24 Aug 2017 (pg. 120, line 5), domestic transporters with a turnover under the A$75,000 threshold would not be liable to remit GST. However, if a domestic transporter's turnover exceeded A$75,000, then they would be expected to comply as any other business with GST obligations in Australia.
	Who is responsible for ensuring GST exempt goods are treated correctly?	Under the MTM, the domestic transporter is liable for the GST due on the shipment (according to the description and value of goods which is known by the domestic transporter). Therefore, the domestic transporter would be responsible for ensuring GST exempt goods are treated correctly. GST exemption code changes are already being implemented into the Integrated Cargo System and will facilitate this process. To further facilitate this process, a field for GST Exemption codes can be added to SAC declarations and such declarations could be used for refunds where product misclassifications occur.
	How will the ATO supply express carriers and postal operators with a receipt for the GST paid so that this can be passed on to vendors and/or Australian consumers?	Amazon has suggested that the MTM allow transporters to use existing documentation (SACs) as tax invoices, to avoid the need for transporters to create new processes for generation and issuance of traditional tax invoices. The domestic transporter will be able to calculate the GST liability on the LVIGs (being 10% of the value of the shipment) using the description and value of goods included in the shipment documentation and communicate this to Australian customers accordingly, with no need for a formal tax invoice to be issued by the transporter. This is consistent with the Australian system of self-assessment.

	Individual carriers and postal operators have no visibility of a supplier's status in relation to the $75k threshold. This is a distinct disadvantage to suppliers that genuinely sit below the threshold, and the MTM could result in the Australian Government inadvertently giving large e-commerce platforms an unintended market advantage.	CAPEC appears to have misunderstood the MTM. Under the MTM transporters will be able to calculate GST on shipments from all vendors in a consistent way as the A$75,000 threshold will not apply to the vendor. This is a key improvement from the legislated model which adopts an inconsistent approach as it requires sellers below the threshold who sell on platforms to charge GST, while those that sell off platforms are not required to charge GST. As stated in Amazon's testimony on 24 Aug 2017 (pg. 120, line 5), under the MTM the A$75,000 threshold could apply to domestic transporters, as they are the entity responsible for remitting GST. Domestic transporters that do not meet or exceed a GST turnover of A$75,000 would not be liable to charge and remit GST. Alternatively, the GST registration turnover threshold of A$75,000 could be removed for domestic transporters, such that they would be required to register for GST as a result of carrying on an enterprise of being a domestic transporter in Australia (irrespective of its GST turnover). This would be similar to the approach currently taken for the taxi industry under the GST Act. There is a level playing field (and no market distortion or advantage) under the MTM, however this is not the case under the legislated model given its inconsistent approach to GST thresholds and its low rates of compliance.

	The implementation timeline for postal operators (even for Group 1 countries) appears to be overly ambitious and is largely based on the capability of postal authorities in other jurisdictions to capture the GST.	CAPEC is incorrect. Australia's major trading partners in the Kahala Post Group already transmit electronic advance data and provide bar codes, and in testimony to the Productivity Commission Australia Post confirmed that it was receiving electronic advance data from many of Australia's major trading partners. Having regard to this, and given the incremental work associated with putting in place agreements to facilitate payments between trading partners, the implementation timeframes outlined in Amazon's submission are achievable. Please refer to our detailed comments in response to Australia Post's submission.

	If Australia Post is not in a position to implement the MTM by 01 July 2018, it would create a significantly anti-competitive environment which would be in contradiction to the COAG Competitive Principles Agreement (CPA) referenced in CAPEC's main submissions to both the Senate and Productivity Commission Inquiries conducted this year. The CPA stipulates that: 3(1) - Government businesses should not enjoy any net competitive advantage simply as a result of their public sector ownership; and 4(b)- Governments are to ensure that they impose the same obligations on government business enterprises as they would on privately owned enterprises, with regulatory requirements and fees being listed as specific examples.	The concern raised here by CAPEC is not unique to the MTM, and should be considered in this context. In testimony to the Senate Economics Legislation Committee inquiry into the Treasury Laws Amendment (GST Low Value Goods) Bill 2017[6], CAPEC expressed similar concerns about the legislated model, stating "there is a significant disparity between the requirement on CAPEC members versus Australia Post" and arguing that "the bill would provide a further competitive advantage to Australia Post. It could result in a pathway for uncooperative vendors to access the Australian marketplace, which in turn could result in border protection implications as well. It would result in a deficient dataset for the Australian tax office and it breaches the competitive principles agreement entered into by COAG, which addresses competitive neutrality… Adding costs to CAPEC members' operating models to increase regulatory burden would give an unfair advantage to Australia Post, and the exemption of Australia Post from reporting requirements would be an untenable situation for us." The MTM imposes more consistent obligations on carriers and Australia Post, while allowing some transitional period to address the additional work required by Australia Post to comply, given its existing systems are not as evolved as those of the carriers. A level playing field for everyone, including express carriers vis-a-vis Australia Post, is not achieved

[6] (1) "Senate Economics Legislation Committee inquiry hearing into the Treasury Laws Amendment (GST Low Value Goods) Bill 2017, Friday 21 April 2017, Melbourne, Mr Kim Garner (CAPEC), p. 32 of official transcript."

		through the legislated model as it allows parcels to enter Australia with no GST paid and no means to validate if GST has been collected or not, with lower risks of detection when parcels are shipped by post versus carriers. Australia has a prerogative to initiate LVIG GST collection on 1 July 2018, and to do so through a GST collection model that maximises compliance rates in both short-term and long-term. The MTM will maximise collection rates in both short-term and long-term, even if there is a slight ramp-up period for Australia Post to fully comply. This planned trajectory does not conflict with the principles of the CPA. Finally, the concept of an implementation timetable for compliance with the competitive principles is embedded in the CPA (see section 3(8)).

	The MTM assumes that overseas express carriers will invoice vendors directly for the GST payable at the same time a request is made for freight payment. However, in many cases it is the e-commerce platforms that contract with the overseas express carriers and arrange freight for their own merchants. Overseas express carriers therefore have no jurisdiction over the merchants, nor do they have control, influence or the ability to contact them directly.	The comment from CAPEC appears to misunderstand the MTM. The MTM enables collection of GST from Vendors in circumstances where the vendor contracts with the overseas carrier, and the overseas carrier does not need to have jurisdiction over merchants as they can elect not to accept goods for shipment unless the estimated GST is paid to the overseas carrier.
	The MTM argues that domestic express carriers should be made liable for GST payment. Using international tax principles, why should a party, which is not a principal party of interest for a transaction, be made liable under the law for a goods and services tax?	For the reasons outlined in prior submissions the MTM is more consistent with international tax principles than the legislated model. These principles include neutrality, efficiency, certainty and simplicity, effectiveness, and fairness and flexibility. Among other things, the MTM is more effective in levelling the playing field (neutrality/certainty/fairness), and is also more effective and efficient because it enables more GST to be collected. The concern CAPEC raises here also arises under the legislated model, and should be considered in this context. The legislated model makes marketplaces liable for GST payable on sales by third party sellers in circumstances where the marketplace is not party to the transaction as the law “deems” the marketplace to be the seller.
	CAPEC members are neither the buyer nor seller of the actual transaction. They ship parcels on the basis of commodity, weight and volume, not value.	It is unclear how this comment is relevant to whether transporters can and should collect and remit GST. The concern CAPEC raises here also arises under the legislated model which makes marketplaces liable for GST payable on sales by third party sellers in circumstances where the marketplace is not the buyer or seller.

	The MTM argues that domestic express carriers should be made liable for GST payment. Using international tax principles, why should a party, which is not a principal party of interest for a transaction, be made liable under the law for a goods and services tax?	See above.
	The substantive work undertaken by the OECD recognizes that clear challenges exist in respect of transporters collecting and remitting GST. It is therefore incorrect to suggest that a logistics / transporter based model is the universally preferred position.	The OECD has rated a transporter model (of which MTM is an example) as the strongest performing GST collection model as measured against the performance criteria of neutrality, efficiency, certainty/simplicity, effectiveness, fairness and flexibility.

Attachment 2 – point-by-point response to Australia Post supplementary submission

(note – this table reproduces comments from Australia Post's supplementary submission in columns 1 and 2, providing Amazon's response in column 3)

GENERAL POINTS/EXECUTIVE SUMMARY	Australia Post Comments	Amazon Response
	The changes agreed at the (UPU Congress in 2016 for EAD implementation from 1 January 2018 will require all mail items containing goods to display an S10 barcode identifier. It is noted, however, that there is no requirement to exchange any EAD at this time. Further, there are no penalties for postal operators who do not barcode or transmit EAD;	Amazon appreciates the concerns raised by Australia Post appears to misunderstand proposed processes under the MTM. The MTM uses electronic data that is generated through systems and processes that are already in use by Australia Post and many global postal operators, and does not require any additional physical handling of goods by Australia Post. Australia Post's concerns about the availability of data are unnecessary, as the phased timing proposed for the implementation of the MTM allows for variability in the availability of data from different countries. Indicative costs asserted by Australia Post appear to fail to take into account the ability to leverage prevailing (and improving) electronic data, systems and processes. They are based on the assumption that Post will incur additional physical handling/holding costs at the border when under the MTM, this is not the case. The EAD requirement, which is laid out in POC/UPU Document 39.Revision 1, begins for all 192 member countries on 1 January 2020. While there is no liability for postal operators for non-compliance with applicable customs requirements (Article 24), Australia Post may refuse items that do not comply with applicable regulations under the UPU (Article 18). Furthermore, Australia Post may charge upstream through Article 20 for any costs associated with customs clearance, including additional costs due to non-compliant volume.

	The UPU is currently progressing work on the EAD roadmap. Whilst this work will take some time, the objective is to agree a data exchange model that will apply to all postal operators in the future. Currently timeframes for implementation of EAD on all mail items is scheduled for 2023;	The UPU has been pushing for EAD since at least 2008, and again in the 2012 and 2016 Congresses. The data exchange model (ITMATT-level data would be sufficient) is currently scheduled for 2020 under the Integrated Product Plan, unless the UPU pushes the implementation date at the 2018 Extraordinary Congress in Addis Ababa.
	Data quality standards are yet to be agreed by the UPU. This work is being undertaken as part of the EAD roadmap;	Data quality standards have not been agreed upon but it is unclear how this impacts Australia Post's ability to comply when the data transmission standards themselves, including ITMATT, have been in place for at least a decade. All of the relevant data for GST should be included in the ITMATT, which has all of the same data points as a CN22. It also contains the data elements of the CN23.
	Given that the work in the UPU will take some time, any implementation of the Amazon hybrid model would impose a heavy (and in our opinion, unachievable) burden on Australia Post to negotiate bi-lateral or multilateral arrangements with other postal operators to provide EAD within the timeframe proposed;	According to Australia Post's testimony before the PC in August, such agreements are already in place with at least 20 of their major operating partners, including major trading partners outside of Group 1, e.g., China or Thailand. Furthermore, many already do allow for EAD transmission, e.g., ePackets. As the overseas postal administrations rely on the revenue obtained from international traffic into Australia this will improve Australia Post's negotiating position.
	The Customs Declaration System required to exchange data between border agencies and Australia Post is currently in the "idea" phase – it has not been implemented. It is not yet certain whether existing software will be able to accommodate Australia's dual border control agencies – the Department of Immigration and Border Protection and the Department of Agriculture and Water Resources; and	The MTM does not propose any direct interface between Australia Post and DIBP to exchange data, as DIBP will not be involved in the assessment or collection of GST on LVIGs imported into Australia. Under the MTM, Australia Post will be liable as the taxpayer for the GST on LVIGs, and will therefore be required to lodge a GST return (which is an 'assessment' of GST liability under the GST law) and remit the GST.

	The burden of evidence would be on Australia Post or the freight provider to provide this information to the Australian Tax Office. Non-compliant items would need to be held or returned.	Under the proposed transitional phased approach, Australia Post would only be required to remit GST on LVIGs where the originating countries comply with the barcoding requirements and EAD is operational. As such, the fact that Australia Post may not receive EAD from postal operators in all countries is already accounted for in the MTM design parameters. Neither Australia Post nor DIBP are required to hold any items at the border under the MTM. Consistent with current practices, DIBP may elect to hold items for duty collection or for risk assessment purposes. Moreover, non-compliant items can be returned through the UPU under Article 18.
DATA EXCHANGE	Australia Post Comments	Amazon Response
	Analysis of Australia Post's July 2017 ITMATT data shows that we receive this data on approximately half of all inbound items not including untracked packets (i.e. those items under 2kg which make up a significant quantity of our inbound mail from key trading lanes and would typically contain goods that fall under a low value threshold).	Amazon suggests that the Productivity Commission ask Australia Post to provide specific volume estimates for: - which items provide ITMATT data - how many items have barcodes - how many items use data besides ITMATT (e.g., for tracking, delivery confirmation, etc.); and - how many items are truly untracked packets with only a CN22 form. Without this data, meaningful cost validation is impossible. This data should also identify which countries provide ITMATT data and which currently have a bilateral/multilateral agreement with Australia Post.

	Whilst some postal operators are capable of sending ITMATT data today, many countries in Group 1 and our key trading lanes are still not able to provide Australia Post with complete data to the extent which would allow any meaningful GST assessment to be undertaken.	The only data needed for GST assessment should be the value of the item and a description. Both of these data points are included on the CN22/CN23 form and included in ITMATT data. Moreover, if data is already being exchanged for delivery confirmation or tracking, the incremental cost of including these two data points is nominal, because they must already be providing barcode scans for tracking (entry times, locations) and delivery confirmation (recipient address).
	Attempting to use currently provided ITMATT data for inclusion in the MTM as proposed by Amazon would still require Australia Post to undertake a costly manual process of identifying each item and determining its value for GST purposes.	This is not a requirement of the MTM as the MTM only requires Australia Post to calculate and remit GST where such data is available. With ITMATT and EAD there will be no need for manual inspection of the items as the value can be identified and verified through electronic data interchange. This not only reduces costs for the Posts, but also for DIBP and the Department of Agriculture. To give effect to the MTM, the GST Law would need to be amended so that Australia Post's GST liability would be 10% of the value of the goods based on the data transmitted to Australia Post in the EAD. The MTM does not require Australia Post to validate the value of the goods as communicated to Australia Post in EAD/CN23 nor does the MTM suggest that Australian Post should manually examine all items arriving into the country. Rather, the MTM acknowledges the phasing in of EAD. As EAD coverage increases over time, the revenues collected under the MTM will increase.

	While using EAD to screen for security (and potentially for GST) on some lanes (for example the Australia/New Zealand Green lane trial) and for some products (those with tracking) is becoming more feasible, the MTM remains difficult and very costly for Australia Post to implement, particularly in the timeframes outlined by Amazon.	To enable more precise understanding of feasibility we suggest Australia Post should be requested to provide the Productivity Commission with a cost assessment based on the number of items with tracking, EAD, ITMATT, barcodes, and which trading partners are able to provide such accompanying data, as proposed on p.g. 32 under 'Data Exchange'.
	We note that the work in the UPU on EAD is still in its infancy and any changes which will result in more complete ITMATT data being supplied consistently on the majority of products are unlikely to be effective until at least 2023.	ITMATT was developed in the early 2000s, and the use of EAD by private express carriers has been common since the 1990s. At the UPU, customs modernisation including providing EAD has been agreed to at successive Congresses (2008, 2012, 2016), and these efforts have been supported by Australia Post, along with virtually all other Group 1 Target Countries. For example: "The 2012 Congress was already aware of the shift from documents to goods and approved 14 resolutions instructing the UPU members to integrate, modernise and rationalise their product portfolio. They were also instructed to embrace technology and to use electronic data interchange (EDI)."[7] Finally, outside the UPU, electronic data has been exchanged through INTERCONNECT at the International Postal Corporation, and through the Kahala Post Group, since at least 2011.
	There is no penalty that can be imposed (other than after costly and lengthy arbitration) for non-compliance by countries who refuse to barcode articles;	Under the proposed transitional phased approach, Australia Post would only be required to remit GST on LVIGs where the originating countries comply with the barcoding requirements and EAD is operational. As such, the fact that Australia Post may not receive EAD from postal operators in all countries is already accounted for in the MTM design parameters.

[7] Doc 39 Rev 1 at page 2

		As described on p.g. 30, there are multiple ways to enforce compliance with UPU regulations that do not require "costly and lengthy arbitration." Non-compliant articles can be refused under Article 18.
	We are advised by many UPU member countries, including some in key trading lanes and those in Group 1, that they will not comply with the requirement from 1 January 2018;	The MTM only requires Australia Post to calculate and remit GST where such data is available. If Australia Post believes that countries will not meet their obligations under the UPU, we suggest the Productivity Commission ask Australia Post to identify (confidentially) which countries have openly acknowledged that they will not comply with the requirements that they endorsed at the 2016 Istanbul Congress.
	No data is required to accompany the S10 barcode; all that is required is the application of an S10 barcode identifier, not the creation and transmission of ITMATT data;	The data requirement goes into effect January 1 2020. However, the use of the S10 barcode should allow for greater EAD compliance and adoption by countries that have not already done so. Amazon has proposed a phased approach where the required EAD is not available.
	Notwithstanding the above, the UPU remains committed to progressing the work on EAD and using it for its primary purpose – ensuring the security of the transport chain.	The primary purpose of electronic data interchange (EDI), as stated by the UPU, is "supporting *customs* and transportation security and other authorities." (emphasis added)[8]
	The UPU has published an EAD roadmap with an aggressive timeframe, although it should be noted that as work progresses these timeframes are being re-adjusted to meet the commercial and practical realities of global postal operators.	The MTM only requires Australia Post to calculate and remit GST where such data is available, and the phased rollout allows for any adjustments required to rollout timeframes. In addition, we expect that Australia Post will

[8] See UPU Resolution C 49/2012 at page 91: http://www.upu.int/uploads/tx_sbdownloader/actCompendiumDecisionsCongressEn.pdf.

		continue to support timely implementation at the 2018 Extraordinary Congress.
	Any decision requiring transmission of ITMATT for all items would not be made until after 2020, with implementation not feasible until at least 2023.	As stated above, relevant decisions were resolved in 2012, and formalised in 2016. Changes to the UPU Acts including EAD requirements will also be considered at the 2018 Extraordinary Congress in Ethiopia. Australia Post should identify the trading lanes (and the volume of articles from these lanes) for which data is or will be available, and when the data for each will be available. These can be taken into account in the proposed phased approach for rollout of the MTM.
	Notably, these timeframes would be more likely to be met by only our key trading lanes and not all UPU countries, meaning a gap is always likely to exist.	If timeframes can be met by key trading lanes, then the MTM could be implemented with those trading partners. We suggest that the Productivity Commission ask Australia Post to identify the amount of volume coming through posts that Australia Post believes will be noncompliant as this may not be significant if our key trading lanes are able to comply.

	As noted above, the ability for Australia Post to implement the MTM in the foreseeable future will rely in part on the capture of item level EAD using the ITMATT format. The usable quality of this data for the significant majority of inbound items is not currently - or in the foreseeable future - feasible or realistic. As data quality and provisioning of this improves, using ITMATT data as an input for consideration of declared value may become tenable in future, however this step will do nothing to mitigate the other processing costs required, if Australia Post were to be responsible for GST collection.	If timeframes can be met by key trading lanes, then the MTM could be implemented with those trading partners. We suggest that the Productivity Commission ask Australia Post to identify the amount of volume coming through posts that AP believes will be noncompliant as this may not be significant if our key trading lanes are able to comply.
	These costs represent significant additional expense for our business.	Costs to collect and process inbound data are already a necessary cost to Australia Post to enable it to comply with its UPU obligations. Additional (and incremental) costs to enable this data to be used to calculate and charge or remit GST are the type of costs that fall under Article 20 and can be charged to the originating postal operator or customer. Amazon's estimates these costs at $3 per shipment. Australia Post has not provided cost estimates to support its concerns. We suggest that Australia Post quantify these costs.
BILATERAL AND MULTILATERAL AGREEMENTS	Australia Post Comments	Amazon Response
	As noted, the work on, and implementation of, the exchange of Electronic Advance Data (EAD) in the UPU will take place over a period of several years after 1 July 2018.	Given the significant progress to date in implementation of EAD exchange, it would be useful for Australia Post to clarify more specifically the progress it expects in the immediate future. In any event, work on and implementation of EAD exchange through the UPU is not essential to the

		rollout of the MTM given the required data is (in many cases) already available including for Group 1, ePackets, KPG and IPC. Also, full availability of EAD is not critical to rollout of the MTM given the proposed phased rollout.
	Overseas postal operators must provide EAD which includes a description and the price of any items sent, which could be used by Australia Post to assess the GST liability; and Australia Post does not currently have any agreements in place which impose these obligations on overseas postal operators.	It is unclear why collecting and using the data referenced here is an obstacle to implementation of the MTM given: 1. the price of the item sent and a description should already be included in ITMATT, and if not, on the CN22/CN 23 form. 2. Australia Post states in its submission that it has bilateral or multilateral data sharing arrangements in place with 33 countries, including ITMATT from 15 countries. ITMATT includes the price and a description of the goods. Australia Post should be requested to clarify whether it has access to and whether such agreements provide for the provision of EAD including the price and a description of the goods.
	As noted earlier, the validation of underlying information will make it difficult to detect errors and understatements in value as we do not have visibility of actual transactions which determine the value of the items.	The MTM provides Australia Post with a simplified GST calculation process as they can calculate the GST based on the description and value of the goods as included in the EAD. The MTM does not hold Australia Post responsible for validating the data's accuracy. While mis-declaration or understatement of the value of the goods could occur, this is also true of - and in fact a greater risk under - the legislated model, as the MTM enables greater detection of non-complying packages.

	Further, as a net importer Australia Post is often disadvantaged in terms of bargaining power, particularly in discussions with key exporting nations. Including additional provisions in a bilateral or multilateral agreement with overseas postal operators would thus be difficult without having to trade-off against something else, which may not be in Australia Post's commercial interest.	Australia Post is only disadvantaged as a net importer because of the provisions of the UPU regarding terminal dues rates (which are also being reformed through the Integrated Product Plan). Otherwise, Australia Post should be in a position to require compliance with whatever regulatory or legislative requirements are necessary to do business. Moreover, the primary consideration for GST collection models should be the objectives of the Australian Government and the GST itself, not Australia Post's commercial interest. The required changes to relevant agreements are simple, and it is unclear why Australia Post is not in a position to require compliance with regulatory or legislative requirements in contracts with its trading partners. As a net importer Australia Post has significant leverage in negotiating bilateral agreements as overseas postal administrations rely on the revenue received from their customers for international postal articles into Australia.
	Additionally, the data received by Australia Post is often incomplete (i.e. it may not include all of the information captured on the CN22/23 form) and further the data is not checked from a quality perspective (e.g. how much of the data is usable, correctly completed, etc.). While these agreements allow for the sharing of data between postal operators, the breadth and quality of that data is not currently sufficient to enable Australia Post to undertake a meaningful or accurate assessment of GST liability on each item as required by Amazon's proposed model.	Australia Post should be able to assess GST based on the information captured through ITMATT, or alternatively on the CN22/CN23 form. To the extent additional costs are incurred through the need for manual inspection of the CN form because of incomplete data, Australia Post should be able to charge upstream to the noncompliant operator through the bilateral/multilateral/Article 20. As previously detailed, the sole piece of data that is necessary is the value of the good (extracted in the CN22/CN23).

	In order to meet these obligations, overseas postal operators would likely incur significant costs in terms of updating systems, IT, processes, training staff, point of sale, customer information etc.	It would be preferable that the overseas postal operators incur these costs as opposed to Australia Post, as they are the importing party for whom Australia Post is providing last-mile delivery services. Additionally, under Article 15 the overseas post can charge their customer a fee.
	In its submission, Amazon notes that Article 20 of the UPU Convention allows Australia Post to charge to originating postal operators tax charges (such as GST) via bilateral or multilateral agreements. Australia Post queries whether this is correct – Article 20 deals with the scenario where designated operators are authorised to clear items through customs and refers to charges imposed on customers rather than other postal operators. In order to recover the GST from the overseas postal operator, Australia Post would need to enter into separate agreements to allow for this. The ability to introduce – and the effectiveness of these arrangements in the context of the well-established UPU payment systems which operate under the UPU conventions, would need to be assessed. In Australia Post's view, this assessment process (which would have to be managed through the UPU) would take a long period of time, and would be unlikely to be agreed;	Article 20 refers variously to customers, postal operators, senders or recipients in the context of the collection of customs clearance costs or the duties themselves. In any event, Australia Post's concern could be addressed through a simple amendment to the GST law to align to the terminology used in and requirements of Article 20. Further, entering into (or amending) bilateral or multilateral agreements to address relevant requirements is not complex or time intensive. Agreements already exist with Australia Post's 33 largest postal partners.
	As Amazon noted in its submission, legislative change may be required to enable Australia Post to charge the originating postal operators an additional amount on account of their GST liability. Australia Post's governing legislation, the Australian Postal Corporation Act 1989 (Cth), does not specifically empower Australia Post to collect and remit GST for the Australian Taxation Office, and as such this may need to be amended, which could take some time.	Specifically under the MTM, Australia Post will not need to be delegated authority from the ATO to collect GST (i.e. such that Australia Post collects GST in a manner similar to how DIBP collects GST on importations over A$1,000). Rather the MTM imposes the GST liability on Australia Post.

	Legislative change would also likely be required in a significant number of overseas jurisdictions in order to permit the designated postal operators to perform this additional role ;	Amazon does not believe this is accurate. Payment obligations can be addressed in contracts and do not require statutory changes. All that is required is for the postal operators to remit GST (together with the freight and shipping charges payable) to Australia Post in accordance with applicable rate cards and agreements. Most postal operators have the authority to collect taxes on products and services as required by various taxation regimes. Also Article 15 permits them to do so for a fee paid by the Customer.
	In respect of EAD, any data sharing arrangement would also need to be carefully considered from a privacy and data protection perspective before implementation. Australia Post needs to ensure that any data exchanged is stored and used in accordance with relevant privacy, data protection and regulatory requirements in the relevant jurisdictions.	While Amazon agrees that privacy is a vital consideration for any policy change, the MTM introduces no new privacy concerns in addition to those that ordinarily arise from the use of EAD. In fact personal information is already exchanged using EAD, and neither the value or description of goods (which are the essential data fields required to enable the calculation of GST), are personal information under Australian Privacy Laws. .
ELECTRONIC ADVANCE DATA FOR GST ASSESSMENT	Australia Post Comments	Amazon Response
	To determine whether EAD could be used to inform a GST assessment, consideration should be given to the quality of data, as well as the quantity of items for which data is provided. Notably, the consideration of the value of inbound articles forms only a small part of the overall activity required to collect GST payable on an article.	The MTM provides Australia Post a simplified GST calculation process as they can calculate the GST based on the description and value of the goods as included in the EAD. The MTM also simplifies the GST collection process, as GST is estimated in advance by the vendor and included in the payments the vendor makes to the overseas postal operator, who in tum remits the estimated GST to Australia Post.

	The key additional steps required by postal operators to capture and process GST payable on low value goods is labour-intensive, costly and unavoidable, whether item level data is received via paper or electronic means.	This comment suggests misunderstanding of the MTM, as Australia Post can calculate the GST based on the description and value of the goods as included in the EAD, and payment of the GST is made in accordance with the process described above. The necessary data is already required by the UPU when filling out a CN22/23 Form or providing EAD. Using existing UPU-required data to calculate GST payable on parcels to Australia will only create modest incremental costs over existing procedures, and Australia Post and postal operators overseas are free to charge their customers for any additional costs incurred for processing. Amazon has estimated these at $3 per parcel.
	Australia Post currently receives EAD on approximately half of all inbound items containing goods (not including untracked packets which are terminal dues articles (less than 2Kg) containing goods) and is working with border agencies to trial use of this data for screening purposes at Australia Post's Offices of Exchange (OEs). We note that this trial is limited to certain product types and limited countries for example, the Australia/New Zealand Green lane trial. Data quality continues to be a challenge across all countries, including key trading lanes and those in Group 1.	See p.g. 31.

	Use of the EAD within OEs for expediting customs clearance processes is practical, as the processes being streamlined are converting directly from paper to electronic and do not require additional processes to facilitate transportation or customer involvement – this contrasts directly with proposals to have a postal operator collect GST, which would inherently require development and payment for additional processes that are not yet being considered fully in development of the EAD work.	This comment suggests misunderstanding of the MTM as Amazon is not proposing that postal operators develop bespoke processes for calculation and payment of GST. The MTM enables the use of EAD which is already required to expedite customs clearances. Using the same data for clearance procedures and GST calculation is efficient and means the incremental costs to Australia Post of complying with the MTM are low.
CONCLUSION	Australia Post Comments	Amazon Response
	Importantly the additional costs incurred by Australia Post in implementing and delivering the Modern Transporter Model would exceed the revenue that would be collected by Australia Post, rendering the model unviable and unfair.	Additional costs can be charged to the overseas postal operator and passed on to consumers. Amazon's estimates these costs at $3 per shipment. Australia Post has not provided cost estimates to support its concerns. Moreover, there is no evidence to suggest implementation costs would exceed the revenue collected, and Australia Post has not established through its submission that it would incur any additional costs over and above the costs associated with renegotiation of its bilateral/multilateral agreements. It is not clear where or why any costs additional to these would be incurred as the MTM does not call for additional processes.