

MSK/cl
22nd August 2017

Collection Models for GST on Low Value Imported Goods
Productivity Commission
GPO Box 1428,
Canberra City,
ACT 2601

Dear Sir/ /Madam,

RE: COLLECTION MODELS FOR GST ON LOW VALUE IMPORTED GOODS

CR Kennedy & Company Pty Ltd is a leading importer of consumer, medical and industrial goods and equipment. Having been in existence for over eighty years we fully acknowledge and understand the challenges and opportunities facing businesses and consumers alike.

Removal of the Low Value Threshold (LVT) for imported goods is a positive step to not only stop the ongoing erosion of GST collection via low valued shipments but also to protect any local businesses and allow them to be able to compete on a much fairer and level playing field with on-line overseas sales platforms and organisations.

There are many companies on e-bay which sell significant volumes of “grey” imported products into the Australian market. Such product often does not comply with Australian Electrical Standards. Customers of many Hong Kong based e-bay retailers believe they are purchasing from an Australian business, as they are provided with an Australian domain name, along with Australian phone numbers and e-mail support. Note – such e-bay retailers are not charging Australian GST either, for amounts above or below the \$ 1,000 limit.

You can view such an example via the below link -

eBay Store:

http://stores.ebay.com.au/DWI-Digital-Cameras-Australia?_trksid=p2047675.l2563

It would seem appropriate that online organizations correctly define and charge the applicable Australian GST given that they are operating in the same Australian market. In the case of eBay they could simply collect the GST in the same manner it charges and collects its seller fees for transactions conducted on its platform.

The purchasing power and the removal of geographical boundaries for the consumer has never been greater due to the on- going improvements for on line purchasing. This has a twofold effect locally.

1. Any GST that would have been gained locally is lost via the LVT scheme and
2. Local retailers and the network that support them are impacted by complying with the GST scheme as a locally based operation.

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Now that the decision has been made to abolish the LVT it is imperative that the best collection model be implemented by the Australian Government.

In our view, the ease of which import GST collection can be obtained under the model implemented in Canada is a good example. Along with a national GST Canada also has Provincial Sales Taxes which is applicable within the provinces of British Columbia, Ontario, Manitoba and Quebec. Some provinces have combined the GST and the Provincial Sales Tax into a Harmonized Sale Tax (HST).

The Canadian model requires the provider of the Goods & Services to collect the GST/HST applicable to the purchase at the time of purchase, and remit the amount to the Canadian Revenue Agency (CAR) on behalf of the customer. Canada also requires organizations to register with the CAR to allow an easier electronic transfer of data and the GST revenue collected. The customer is alerted to the required GST/HST amount during the online transaction. This allows them to understand the Canadian Government process and gives them transparency across their total purchase.

The benefit with this model is to ensure parity across the local and overseas retail markets. There is little to no disruption to those purchasing from overseas entities other than the addition of the GST to the product cost.

Examples of the type of information provided to customers regarding such arrangements can be viewed via the following retail web links specific to online purchasing into Canada:

<https://www.bhphotovideo.com/find/HelpCenter/International.jsp#canada>
<http://roel.me/bh-photo-offers-tax-and-duty-included-ground-shipping-to-canada-2/>

Further information can be obtained directly from the Canada Revenue Agencies web site:
<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/gnrl/txbl/mprtsxperts/menu-eng.html#applies>

We thank the Productivity Commission for the opportunity to comment on this important issue and look forward to the final report of the Commission's findings to the Government being published later this year.

Yours faithfully,

C.R. KENNEDY & COMPANY PTY LTD

MALCOLM KENNEDY
MANAGING DIRECTOR