



20 April 2017

Senate Standing Committees on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600

**CPA Australia Ltd**  
ABN 64 008 392 452  
Level 20, 28 Freshwater Place  
Southbank VIC 3006  
Australia  
GPO Box 2820  
Melbourne VIC 3001  
Australia  
**Phone** 1300 737 373  
**Outside Aust** +613 9606 9677  
**Website** [cpaaustralia.com.au](http://cpaaustralia.com.au)

By email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Sir/ Madam

### **Correspondence: Treasury Laws (GST Low Value Goods) Bill 2017**

CPA Australia represents the diverse interests of more than 160,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. Against this background, and in the public interest, we provide this short correspondence in response to the Treasury Laws (GST Low Value Goods) Bill 2017.

CPA Australia acknowledges the Treasurer's comments in the second reading speech, that the bill 'is an important part of the governments' commitment to creating a fairer tax system, supporting small business and creating a level playing field for all Australian businesses.'

However, we remain to be convinced that the current arrangement 'places Australian based suppliers at a growing competitive disadvantage'<sup>1</sup> or that the approach proposed in the bill is the most appropriate way to impose GST on low value imports.

Certainly there has been significant ongoing support from some sectors of the business community for the government to take action in this specific tax policy area, principally for price competitiveness reasons.

However, in many ways the bill also represents what governments are reduced to trying to implement when they do not embrace more holistic tax reform.

We note that from a tax revenue perspective the proposed measures are forecast to only raise some \$300 million in total over the next three years which, although not inconsequential, will do little for either federal budget repair, or funding the states and territories.

After due consideration of the bill, CPA Australia does not consider the proposed measures will deliver on the government's objectives for the following reasons:

- The 10 per cent GST is not usually the defining price point in the decision whether to buy locally or from an offshore online supplier – goods and services are expensive here for

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<sup>1</sup> Page 5, Treasury Laws Amendment (2017 Measures No. 1) Bill 2017, at 1.14

many non-tax reasons, and online shopping is often simpler and more convenient, as well as providing consumers with much greater access to a wider range of goods.

- The vast majority of non-resident suppliers will not be able to be identified.
- The prospect of non-compliance by offshore suppliers, operators, and redeliverers will be high - even if they register for the GST.
- There is a very low prospect of enforceability by the ATO against offshore suppliers, operators, and redeliverers whether registered or not.

CPA Australia notes that in the context of VATs/ GSTs there are already multilateral considerations of these issues, including for example the 2015 Organisation for Economic Development and Co-operation report on options to move away from border collection processes, and the European Union's announcement that it proposes to reform its treatment of low-value goods.

CPA Australia also notes retaliation by other tax jurisdictions on Australian exporters is a possibility.

Moves of this type - retaliatory or otherwise - would not be positive for Australian exporters. CPA Australia's most recent Asia-Pacific Small Business Survey<sup>2</sup> shows that Australian small businesses continue to be less likely to use social media and online commerce for business purposes. However the survey also shows that those Australian small businesses selling online are significantly more likely to be growing than those that are not.

However the uptake of these business tools by Australian small businesses has been sluggish – and any retaliatory tax moves from offshore markets could further stymie development in this important area of potential growth for Australian businesses.

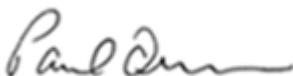
We also note that under the proposed bill, not all imports will be subject to GST, which will add to complexity and confusion.

Given the lack of enforceability of the proposed new laws, in one sense what is really being proposed in this bill is a voluntary tax. In fact, the proposed measures may make the so-called level playing field even more uneven for both Australian and non-resident businesses.

For these reasons, and also the fact that the bill will do little if anything to make Australian businesses more competitive, CPA Australia is unable to support the bill.

I would be pleased to discuss these matters further should you require. I can be contacted on 03 9606 9701 or [paul.drum@cpaaustralia.com.au](mailto:paul.drum@cpaaustralia.com.au).

Yours faithfully



Paul Drum FCPA

Head of Policy

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<sup>2</sup> <https://www.cpaaustralia.com.au/professional-resources/business-management/small-business/asia-pacific-small-business-survey>