



## Tax Insights

### Selling low value goods to consumers in Australia – will you be GST ready?

#### Snapshot

Australia has experienced significant and rapid growth in the volume of low value goods being imported by consumers. Under current, border collection arrangements, GST is not collected on imports with a customs value of AUD 1,000 or less.

From 1 July 2017, Australia is adopting a vendor GST registration and collection model to ensure that low value goods imported by consumers will face the same GST treatment as goods sourced domestically.

Foreign retailers, online marketplace operators and providers of redelivery and/or shopping services are among those who soon could become liable to collect and remit GST on low value goods for delivery to consumers in Australia.



## **New GST rules for low value imports: 1 July 2017**

Australia's GST rules are changing.

From 1 July 2017 foreign retailers could be liable for GST on low value goods they sell to consumers in Australia. In some circumstances, GST liabilities and obligations will fall instead on foreign online marketplace operators or foreign redelivery service providers who assist with the sale and/or delivery of the low value goods into Australia.

With limited time until the new rules take effect, these businesses should be focused on determining if they will face Australian GST obligations and liabilities, and addressing the practical implications for their operations.

### **How will the new rules for low value imported goods work?**

Imported goods with a customs value of AUD 1,000 or less will have GST collected at the point of sale, under a vendor registration system.

Under this system, offshore suppliers with an annual turnover of AUD 75,000 or more will be required to register for, charge and remit GST on low-value goods sold to consumers in Australia. Turnover is calculated on a current and a projected basis, based on supplies that would be subject to Australian GST.

Online marketplace operators and redelivery service providers will be treated as suppliers and will face the same requirements to register for, collect and remit GST. Further references below to 'suppliers' includes such businesses.

Suppliers will not be required to collect and remit GST on goods with a customs value above AUD 1,000. GST on these goods will continue to be collected as part of normal border clearance processes in Australia.

However, suppliers will need to apply complex rules to determine whether each supply to an Australian consumer involves low value goods or not, and to address circumstances of potential and actual double GST taxation of imports. For example, the new rules will require suppliers to take account of how low value goods will be consigned. Where the goods are reasonably anticipated to be part of a larger consignment with a total customs value in excess of AUD 1,000, a 'taxable importation' exception will apply and GST should not be charged by the supplier.

Suppliers will also be required to provide detailed information for both GST and customs clearance purposes - to their customers at the point of sale, and to other entities involved in getting the low value goods to Australia. The information requirements apply to both B2C and B2B sales of low value goods.

Under the vendor registration system, suppliers have the choice of registering for GST on a full or a limited basis. Suppliers who register on a limited basis need to satisfy less onerous proof of identity requirements, and lodge GST returns and remit GST each quarter. They do not, however, receive an Australian Business Number (ABN), and cannot issue tax invoices or claim input tax credits.

## Key issues for suppliers

Suppliers who sell low value goods to consumers in Australia should now be preparing.

A range of issues need to be considered and addressed before 1 July 2017, relating to matters such as registration and reporting obligations, systems and process modifications, and pricing and Australian consumer law requirements.

Key issues to consider include:

- Will your level of supplies to Australian customers require you to become GST-registered?
- What form of GST registration – limited or standard – will best suit your business?
- What is your status – actual supplier, online marketplace operator or redelivery service provider – and are there any special rules that you need to be aware of?
- What modifications will your automated and non-automated customer interface systems need in order to correctly determine whether GST should be charged or not? For example:
  - Depending on the supply chain for the goods in question, which entity is actually liable for GST on the supply?
  - Determining the 'customs value' of the goods purchased
  - Determining whether a customer is an 'Australian consumer' or a GST-registered business customer
  - Acceptable methods for converting foreign currency to Australian dollars
  - How will the goods be consigned – should the 'taxable importation' exception be applied?
  - Basis for the GST calculation
  - Have any 'GST-free' (i.e. zero-rated) goods you supply been identified?
  - Will transition issues arise – for example, how will pre 1 July 2017 orders that are unable to be fulfilled before that date be affected?
- What ongoing GST reporting, payment and compliance obligations will be required?
- What obligations exist in relation to any supplier-taxed goods that also end up being taxed at the Australian border?
- How will returned or replacement goods need to be treated for GST purposes?

## Deloitte perspective

The new rules to apply GST to low value goods are in addition to rules made in 2016 that will require foreign businesses to collect and remit Australian GST on digital content and services supplied to Australian consumers on or after 1 July 2017 (digital content rules).

There are some parallels between the low value goods rules and the digital content rules (and perhaps also the rules that other countries have introduced to require foreign suppliers to charge and remit GST/VAT on cross border B2C digital supplies).

There are, however, many important differences, and in some respects more complexity, when it comes to Australia's low value goods measures.

It is therefore critical for foreign retailers, online marketplace operators and providers of redelivery services who sell or facilitate the sale or delivery of low value goods into Australia to ensure that they are familiar with the detail of the low value goods rules, and the unique operational and compliance challenges they will give rise to.



## Contacts



**Gary Funston**  
**Partner – Indirect Tax**

Tel: + 61 3 9671 7464  
Email: [gfunston@deloitte.com.au](mailto:gfunston@deloitte.com.au)



**Justin Ward**  
**Partner – Indirect Tax**

Tel: + 61 3 9671 6184  
Email: [jusward@deloitte.com.au](mailto:jusward@deloitte.com.au)



**Kevin O'Rourke**  
**Partner – Indirect Tax**

Tel: + 61 2 8260 4509  
Email: [korourke@deloitte.com.au](mailto:korourke@deloitte.com.au)



**John Koutsogiannis**  
**Partner – Indirect Tax**

Tel: + 61 2 9322 7419  
Email: [jkoutsogiannis@deloitte.com.au](mailto:jkoutsogiannis@deloitte.com.au)

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