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Goods and Services Tax on Low Value Imported Goods: Model and the Effect

Submitted by: Australia



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Connectivity Meeting
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Australian Government
Australian Taxation Office

GST on low value imported goods: Model and the effect

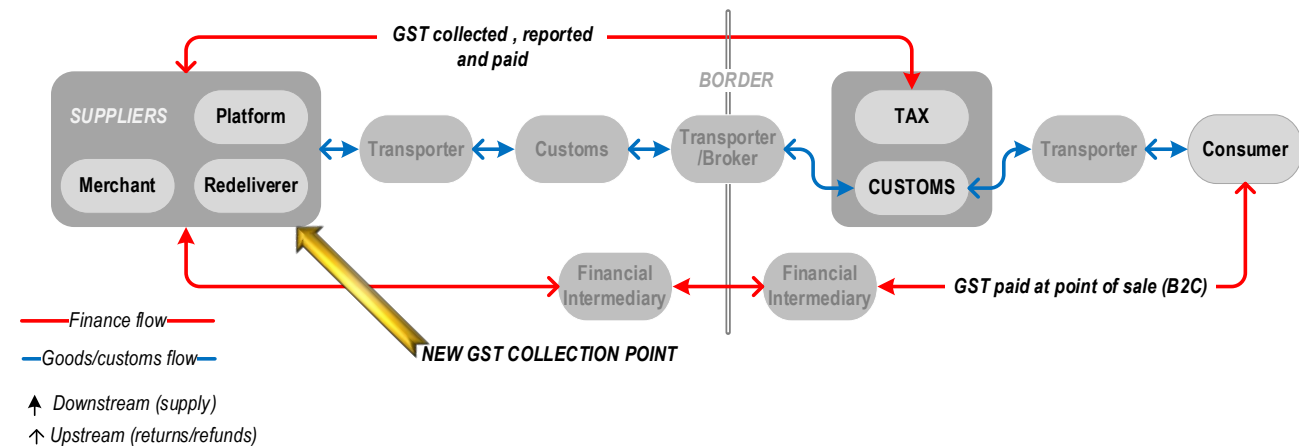
Ian Ayrton, Director GST Program

The low value imported goods (LVIG) supplier collection model

Overview

- The supplier collection model moves the taxing point forward to the point of sale and applies GST by connecting **the supply** of the goods to the Australia
- The import threshold at the border remains unchanged meaning that most low value goods which are imported in consignments of less than or equal to a customs value (c.v.) of AUD 1,000 (approx. USD 730) enter Australia as **non-taxable importations**
- Suppliers, consisting of electronic distribution platforms (platforms), merchants and redeliverers are only required to register where they make **any** taxable supplies greater than AUD 75,000 (approx. USD 55,000) in a 12 month period
- Business to business (B2B) supplies to recipient GST-registered businesses are not subject to supplier collection but those recipients are required to apply a reverse charge where a full credit is not allowed
- **Internationally:** The OECD Base Erosion and Profit Shifting program reported on options to collect VAT/GST on low value imported goods in 2015 with the WCO also encouraging the adoption of supplier collection models
- **Other jurisdictions:** New Zealand, Norway, the UK, the EU and Singapore have now all broadly implemented (or plan to) a similar supplier collection mechanisms

High level model



Source: OECD

Overview of the LVIG regime

General rules

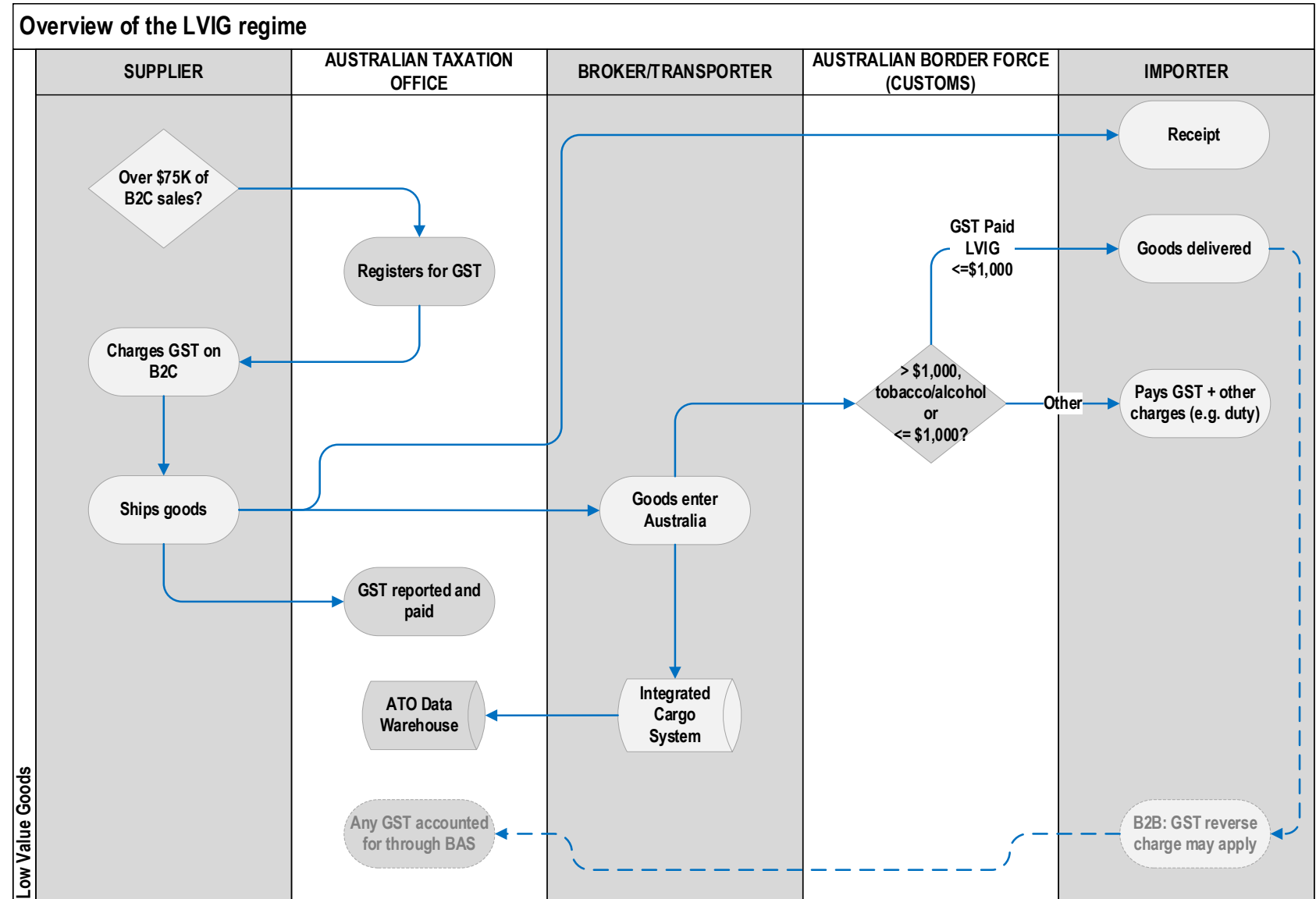
Low value goods are

- Physical goods with a custom value of AUD1,000 or less

Low value goods are not

- Goods with a customs value over AUD1,000
- Alcohol or tobacco products
- Multiple goods that are consigned together with customs value over AUD1,000

To mitigate the risk of double non-taxation, the GST treatment is that where suppliers are unsure items will be consigned together, they should charge GST on any low value goods sold



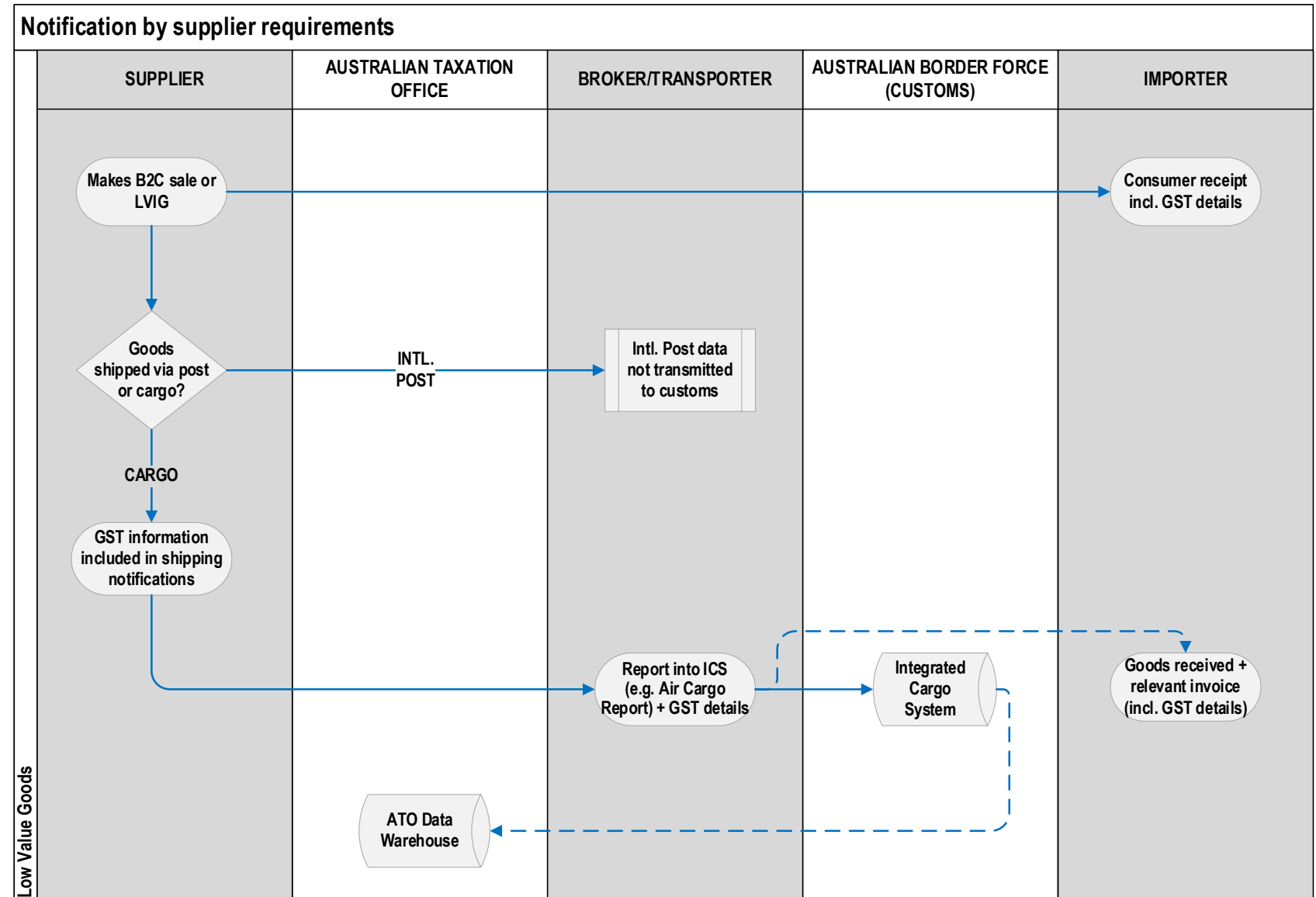
GST notification requirements

The supplier responsible for GST on low value imported goods must ensure that information:

- is provided in the form of receipts or invoices to customers (not allowed to issue a tax invoice), and
- included on certain customs documents – for example the self-assessed clearance or import declaration

These requirements fit together so that suppliers can meet both requirements through one commercial document

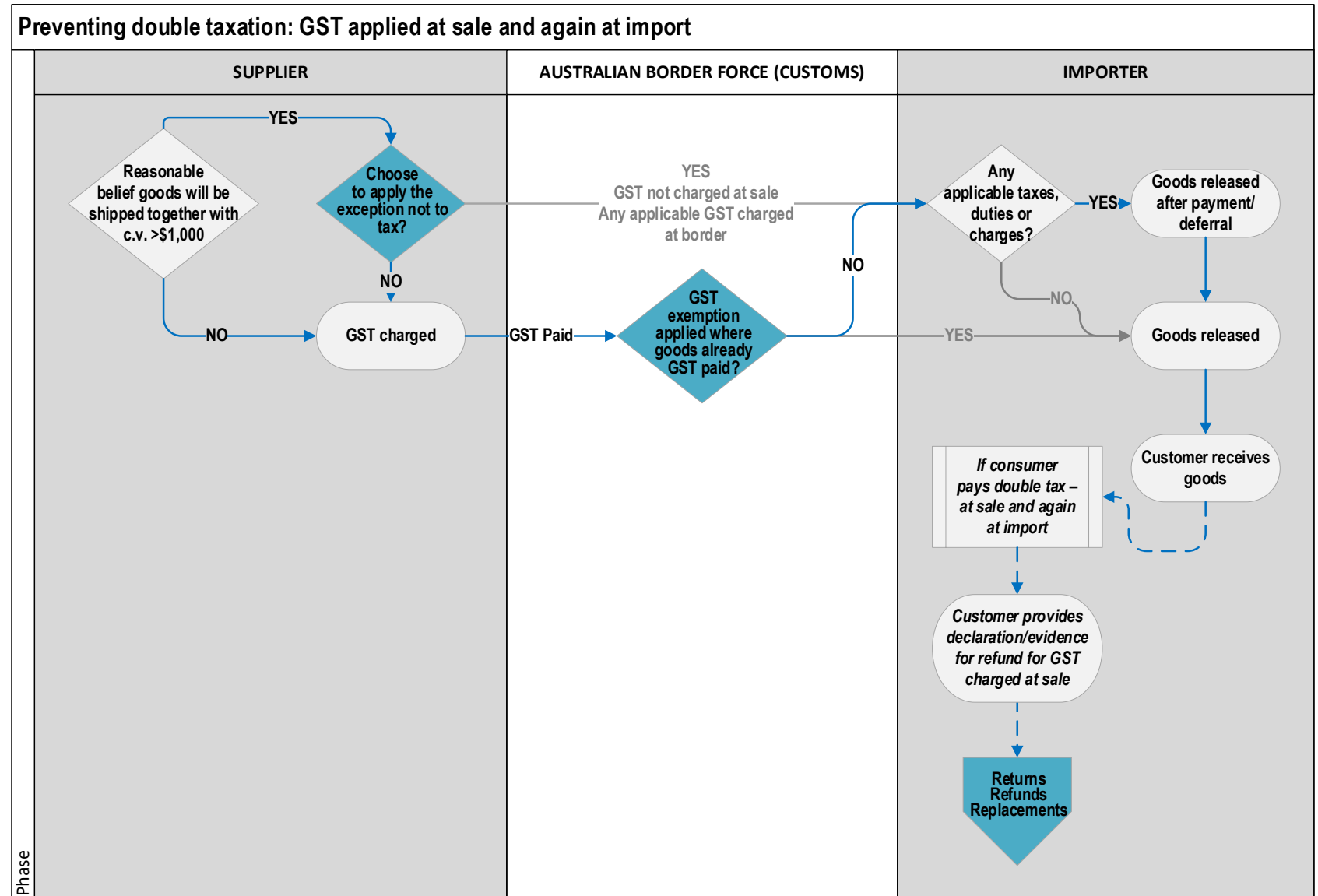
These information requirements also play a role in preventing double taxation



Preventing double taxation

For goods imported in a consignment over AUD1,000

- Information provided on the import declaration can show GST was correctly applied to the sale of low value goods, then GST will not apply at the border
- Consumers can also use the receipt issued to them to prove GST was applied to the sale
- If the information is not provided on the import declaration, GST is charged at the border
 - The supplier can reimburse GST charged on the sale, where the consumer provides a declaration or evidence they paid GST at the border



Considering trade and logistics

- The change addressed what was in effect a *reverse tariff*: where low value goods sold from offshore were not subject to GST but goods sold onshore were
- Low value goods still move freely through the border with very minimal intervention for revenue purposes
- GST is applied to the price paid and not the value declared at the border
- The platform rules have significantly saved thousands of small and medium sized businesses from additional compliance costs for many that sell through them
- Charging GST upfront eliminates price shocks for consumers and avoids goods being abandoned or returned because they don't want to pay tax at the border
- The impact on transporters is minimised by not drawing them into having to collect GST
- Some changes have been required of transporters to allow minimal GST information to flow from suppliers through the supply chain which have included minimal changes to customs processes
- The GST changes for low value goods meet our trade obligations



More information: Australian GST on low value imported goods

Website guidance for GST on B2C and B2B supplies

- www.ato.gov.au/AusGST
- www.ato.gov.au/AusGSTZhongguo (simplified Chinese)

Technical guidance

- [GST Ruling 2017/1](#): *making cross-border supplies to Australian consumers*
- [Law Companion Ruling LCR 2018/1](#) *GST on low value imported goods*
- [Law Companion Ruling LCR 2018/2](#) *GST on supplies made through electronic distribution platforms*
- [Law Companion Ruling LCR 2018/3](#) *When is a redeliverer responsible for GST on a supply of low value imported goods?*

Compliance advice

- [Making compliance happen](#)

Contact

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Thank you