



AUSTRALIAN FEDERATION OF INTERNATIONAL FORWARDERS

A.B.N 43 008 576 681

2 December 2016

Manager
Indirect Taxes and Not-for-Profit Unit
Individuals and Indirect Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600
Email: lowvaluegoods@treasury.gov.au

Dear Sir/Madam,

Re: Applying GST to low value goods imported by consumers. Exposure Draft Treasury Laws Amendment (2017 Measures No. 1) Bill 2017: Low value imported goods

Thank you for affording the Australian Federation of International Forwarders (AFIF) the opportunity to respond to The Treasury's request for submissions by industry to the Exposure Draft legislation on the proposed 'Applying GST to low value goods imported by consumers'.

AFIF is the representative industry association for the International Freight Forwarding and 3rd party logistics industry, representing members in the areas of international air & ocean freight movement, Customs & Biosecurity; IT/E-Commerce; Training & Education; Security; Depot & Warehousing; etc.

AFIF has a long history in participating in various engagement forums with Government entities including; The Treasury; Australian Taxation Office, Department of Foreign Affairs and Trade; Department of Immigration and Border Protection; Department of Agriculture and Water Resources; Department of Industry and Regional Development/Office of Transport Security; State and local governments.

AFIF supports this consultative approach to achieve best practice outcomes.

AFIF broadly supports the proposed legislation for 'Applying GST to low value goods imported by consumers'. AFIF has some concerns regarding the practical application of the proposed legislation which we will outline in our Submission.

Following meetings with ATO, Treasury and DIBP officials to discuss the Exposure Draft legislation and proposed changes, AFIF understands the operation of the arrangements as follows

- the Exposure Draft Treasury Laws Amendment (2017 Measures No. 1) Bill 2017 legislation is due to take effect from 1 July 2017
- the changes impact shipments of low value, under \$1,000, from overseas vendors consigned to consumers. (B-to-C)
- Overseas Vendors, electronic distribution platforms and 'goods forwarders'¹ will have to account for GST on sales of low value goods to consumers, if they have turnover of \$75,000 or more.

1. goods forwarders are not freight forwarders, rather they are typically re-senders of goods from a consolidated payment and dispatch facility – common with overseas transactions in USA

- ATO will provide these overseas vendors responsible for payment of GST, with a unique Vendor Registration Number (VRN)
- The DIBP Integrated Cargo System (ICS) will be adjusted to provide 2 new data fields in the header for SAC Declarations. (Air Cargo Report SAC & Sea Cargo Report SAC.)
- The new Data Fields will be -
 - 1) VRN (or ABN if the overseas business registers for an ABN instead of a VRN)
 - 2) Importer Identifier – ABN or CCID, if the purchaser in Australia quotes an ABN to the overseas vendor to seek GST exemption
- If GST Exemption code is used, the importer must be able to prove GST was paid at source.
- A shipment in excess of \$1000 value, a GST Exemption Code will be provided at the line level of the FID, indicating where GST has already been paid
- 'VRN and Australian GST paid' should be shown on the vendor's commercial invoice.
- There is no cross validation of the VRN between ATO and DIBP

AFIF Comment on the Exposure Draft, Explanatory Notes and Operational Issues

I. VENDOR REGISTRATION NUMBER (VRN)

Allocation of VRN

- AFIF seeks clarification as to whether the VRN is allocated to 1 vendor in 1 country, or whether a separate VRN is issued for each location of the business. (ie. multiple countries)
- If the VRN covers a vendor in more than 1 country, does the Freight Forwarder or Customs Broker need to verify the authenticity of the VRN when clearing the consignment at the border? Will penalties apply to the Freight Forwarder or Customs Broker if the VRN is false? If so, what is the penalty and the regime under which it will operate and under which Government agency?

II. Cross Validation of the VRN data between ATO & DIBP

- AFIF is concerned there is no cross validation of the VRN data between ATO & DIBP
- There is potential for incidences of fraud without cross validation of data

III. Confirmation of 'VRN and Australian GST paid'

- AFIF is concerned about transparency of the 'VRN and Australian GST Paid' for Freight Forwarders and Customs Brokers clearing consignments at the border
- AFIF urges the ATO to make a mandatory condition of participation in the VRN scheme, that the vendor shows the 'VRN and Australian GST paid' on the vendors commercial invoice.

IV. Level Playing Field

- AFIF urges the ATO to ensure a level playing field in the application of the new legislation across all supply chains and the impact on border clearance functions – Freight Forwarder, Customs Broker, Express Freight Operators, Postal Service.

We trust that this feedback from AFIF on behalf of its members is useful to the review process and we would be pleased to receive your comments on the areas highlighted.

Thank you for the opportunity to participate in this review, AFIF strongly supports the government agencies in their endeavours to enhance the level and quality of engagement with our industry.

Yours faithfully

Australian Federation of International Forwarders



Brian Lovell
CEO