

# GST Treatment of Cross Border Transport: Minor Amendments

Consultation Paper

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## REQUEST FOR FEEDBACK AND COMMENTS

The Treasury is seeking your feedback and comments on an approach that could be adopted to address the compliance difficulties for the transport and related services industry in relation to the international transport of goods and certain services associated with the international transport and importation of goods.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please email responses in a Word or RTF format. An additional PDF version may also be submitted.

All information (including name and address details) contained in submissions will be made available to the public on the Treasury website, unless you indicate that you would like all or part of your submission to remain in-confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in-confidence should provide this information marked as such in a separate attachment. A request made under the *Freedom of Information Act 1982* (Commonwealth) for a submission marked 'confidential' to be made available will be determined in accordance with that Act.

### Closing date for submissions: 7 November 2012

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# 1. BACKGROUND

## 1.1 PURPOSE OF THIS PAPER

1. All legislative references in this paper are to the *A New Tax System (Goods and Services Tax) Act 1999* (“GST Act”). A reference to GST Law in this paper includes the GST Act and any supporting or associated legislation. A reference in this paper to “port” includes a reference to “airport”, unless otherwise specified.
2. In July 2010, amendments<sup>1</sup> were made to the GST Act to, among other things, ease compliance costs for businesses involved in the international transport of goods and certain services associated with the international transport and importation of goods (“2010 GST transport amendments”).
3. Following the 2010 GST transport amendments, the Australian Taxation Office (ATO) received information from taxpayers advising that some segments of the transport and related services industry may have difficulty in complying with the new law. The ATO has informed Treasury that these difficulties cannot be resolved through ATO administration and it is therefore likely that only further legislative change will provide a means of addressing these concerns.
4. This paper sets out an approach that could be adopted to amend the relevant parts of the GST law to address the compliance difficulties. It is intended that this paper will serve as a basis for discussion with the transport and related services industry in the hope of fully clarifying all the difficulties and identifying viable solutions.

## 1.2 DEVELOPMENT AND OPERATION OF THE LAW

5. When the GST law was introduced in 2000, the transport industry relied on two private rulings issued in June 2000 to the Australian Federation of International Forwarders. These stated that under item 2 in the table in s38-190(1) of the GST Act, the supply of domestic transport to a non-resident entity for an imported good was a GST-free supply.
6. In 2005 the ATO released a ruling (GSTR 2005/6) which took the view that:
  - The supply of transport and relevant services by an Australian entity to a non-resident is subject to GST if the goods are delivered by the Australian entity to an addressee in Australia; and
  - Non-residents that have a contractual obligation to deliver goods in Australia will be making a taxable supply in Australia if that obligation is performed by an Australian subcontractor.
7. The transport and related services industry maintained that the ATO’s interpretation of the law created significant compliance difficulties, particularly for international transport providers that deliver, or arrange for the delivery of, goods to an address in Australia on behalf of

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<sup>1</sup> *Tax laws Amendment (2010 GST Administration Measures No. 3) Act 2010*

overseas sellers, e.g. DDP (Delivery Duty paid) or DAP (Delivered at Place) - formerly DDU (Delivered Duty Unpaid)) terms of trade.

8. The Government announced on 12 May 2009 that it would amend the GST law, with effect from 1 July 2010, to reduce GST compliance costs for businesses involved in the domestic transport of exported and imported goods. These amendments were contained in *Tax Laws Amendment (2010 GST Administration Measures No 3) Act 2010*.

#### **Aim of 2010 GST transport amendments**

9. The 2010 GST transport amendments provided, among other things, that the liability to pay GST on Australian transport and other services that are part of the international transport of goods to Australia was (in most cases) shifted from transport and associated service suppliers to the importer of the goods.
10. The key advantage of this shift was that the GST on the domestic services that are part of the international transport of goods would be calculated and collected at a single point at the border, rather than at multiple points in a chain of contracts involving both resident and non-resident transport companies. The intention of this change was, among other things, to reduce the number of non-residents making taxable supplies and incurring input tax, thereby reducing the need for non-resident involvement in the Australian GST system. Removing the need for these non-residents to register for Australian GST also reduced the likelihood of GST becoming embedded in the price of imported goods due to non-registered entities passing on non-recoverable GST. The changes were intended to be revenue neutral.

#### **Current Law**

11. Items 5 and 5A of s38-355(1) of the GST Act provides that the international transport of goods from a place outside Australia to their place of consignment (as amended) in Australia is GST-free, as are the related loading, handling and facilitation services.
12. The 2010 GST transport amendments provide that the place of consignment will generally be based on contractual arrangements (primary agreement) between the buyer and the supplier of goods or the buyer and their freight forwarder. For non-postal goods (31.5kg or heavier), the place of consignment is determined under the GST Act as follows:
  - If a non-resident supplier of goods has agreed to deliver the goods to Australia, the place of consignment is the delivery place within Australia as determined under the contract for the supply of goods - (paragraph (aa) of the definition of place of consignment in section 195-1 of the GST Act). If the supplier supplies goods under DAP or DDP terms of trade, this will be the delivery address in Australia. If the supplier supplies goods under CIF (Cost, Insurance and Freight) terms of trade, the place of consignment would be the destination prior to the goods being unloaded;
  - If paragraph (aa) of the definition of "place of consignment" does not apply and a transport provider is contracted by the importer of the goods to transport the goods to Australia, then the place of consignment is the place in Australia where the goods are to be delivered under the contract for the supply of the transport service - (paragraph (ab) of the definition of place of consignment in section 195-1 of the GST Act).

If the importer of the goods, or an entity acting on behalf of the importer (such as a Customs Broker or Forwarder), instructs a Forwarder or transport company to transport the goods to Australia, because the goods are sold to the importer under FOB or EXW terms of trade, then the place of consignment will be the address to which the importer instructs the international transport and related services company to deliver the goods (whether that be the port of arrival or the importer's premises or indeed another location within Australia). The GST treatment of services supplied in Australia as part of this service is currently being applied inconsistently across the transport and related services industries.

If the goods are delivered to Australia under CIF terms of trade, generally an Australian importer would instruct an Australian Broker or Forwarder to clear the goods through Customs and possibly transport them to the importer's premises. Currently this service would be taxable, as the forwarder or broker is not the supplier of the transport of the goods to Australia;

- In any other case – the port or airport of final destination as indicated on the transportation document.
13. The 2010 GST transport amendments expanded the scope of GST-free supplies of international transport, by extending GST-free treatment to the place of delivery of goods with specific reference to the primary agreement for the international transport of the goods to Australia.<sup>2</sup>
  14. The treatment for loading, handling and other services that facilitate the international transport of goods (including customs clearance services) was also legislated as GST-free in these amendments in cases where these services were performed by the supplier who transported the goods to or from Australia or supplied to a non-resident who was not in Australia. However, these services are not GST-free if they are performed to facilitate the transport of the goods after they reach the place of consignment or before the place of export.<sup>3</sup>
  15. Where the international transport of goods to Australia and the associated loading, handling and facilitation services have been made GST-free under these provisions, the cost of that transport and those services will be included in the calculation of 'the value of the taxable importation' (VoTI) for the purposes of paragraph 13-20(2)(ba) of the GST Act. This serves to ensure that the importer of goods is liable for the GST, rather than non-resident transport service suppliers who are not in Australia. In certain circumstances, the value of the Australian leg of the international transport of imported goods will also be included in the VoTI.<sup>4</sup> It also ensures symmetry between the VoTI and the GST legislation covering GST-free supplies.

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<sup>2</sup> Explanatory Memorandum to *Tax Laws Amendment (2010 GST Administration Measures No. 3) Act 2010*.

<sup>3</sup> *ibid*, para 1.14

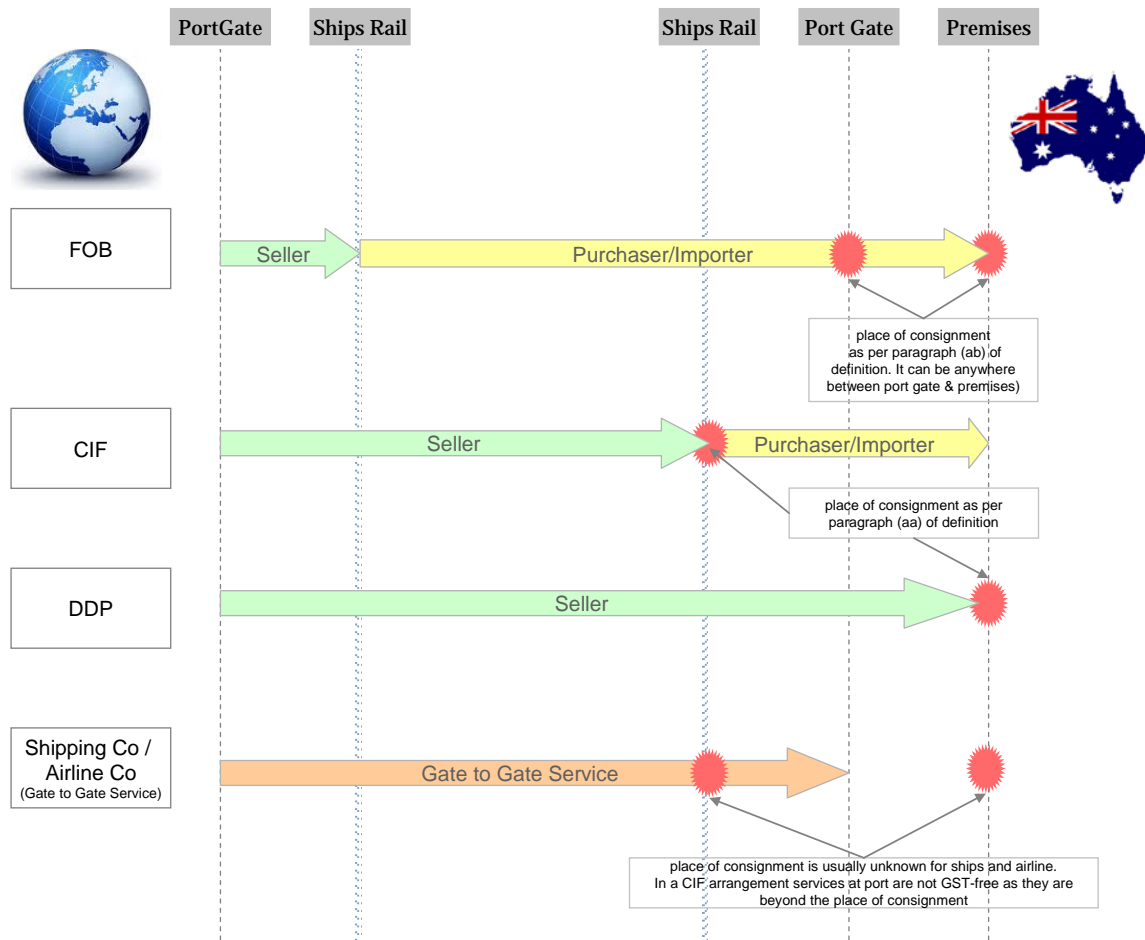
<sup>4</sup> Explanatory Memorandum to *Tax Laws Amendment (2010 GST Administration Measures No. 3) Act 2010*, para 1.13

## 2. ISSUES

### 2.1 SHIPPING AND AIRLINE ISSUES

16. A shipping or airline contract of carriage under the bill of lading or air waybill respectively, will be for the supply of transport services from the port of origin to the port of destination, and will include services undertaken at both places.
17. We understand that the practical problems faced by the shipping and airline companies stem from the fact that their contractual obligation will be to transport goods from 'port gate' to 'port gate', which is an international standard. However, the place of consignment provisions in the GST law provide that the 'international transport' of these goods could end at a point before, at, or beyond the 'port gate' in Australia, depending on the nature of the primary contract and the terms of trade under which this contract was arranged.
18. Furthermore, shipping and airline companies may be engaged by an exporter, importer or forwarder acting for one of these parties. The shipping and airline companies will generally not have access to primary documentation (such as contracts of sale) to identify or confirm the 'place of consignment'. Rather, the shipping and airline companies will enter into a contract of carriage with a counterparty which will include, among other things, instructions to transport goods to a certain location and bill certain parties. The billing arrangements under shipping and airline contracts of carriage do not necessarily reflect the terms of trade specified in a sale of goods contract.
19. The transport and related services industry has advised that the importer's sale of goods contracts are usually commercial-in-confidence, and therefore are unlikely to be made freely available to entities that are not a party to the relevant contract.
20. As a consequence, in cases where the international shipping and airline entities do not have access to the relevant sale of goods contracts, they will not know whether to apply GST on the loading, handling and facilitation services conducted at the port as they cannot determine with certainty where the 'international transport' ends.
21. The below diagram shows the place of consignment relevant to three different sale of goods agreements. We note that the GST consequences for goods sold under DAP terms of trade are the same as those applying to goods sold under DDP terms of trade.





22. In relation to the above diagram, we note the following:

- Where the seller sells the goods under free on board (FOB) terms of trade, the seller does not transport the goods to Australia, with the result that the relevant primary agreement is the transport contract with the importer.
- In both cost insurance freight (CIF) and delivered duty paid (DDP) terms of trade, the seller has agreed to deliver the goods to a location in Australia, we note that those locations differ. For sales of goods under these terms of trade the place of consignment is where the seller's responsibility for delivery ends. The relevant primary agreement in these circumstances is the sale of goods contract with the supplier of the goods.
- Under all these three arrangements, the shipping company will not have any direct knowledge where the place of consignment will be. We understand that the airline industry has similar concerns. Generally, international shipping and airline companies will be engaged by a freight forwarder or customs broker who will provide billing and delivery instructions.

## 2.2 CUSTOM BROKERS AND FREIGHT FORWARDER ISSUES

23. Customs Brokers and Freight Forwarders are engaged to provide services (including customs clearance services, arranging transport and other services) related to the importation and exportation of goods. Customs Brokers may also be freight forwarders and vice versa. The

transport and related services industry has advised that the GST compliance difficulties for Customs Brokers and Forwarders are essentially threefold, that is:

- Similar to shipping and airline companies, Customs Brokers and Forwarders must make GST compliance decisions based on primary documents that may not be readily available to them. We note that Customs Brokers and Forwarders would generally receive a copy of an invoice for the sale of goods, but they ordinarily will not have access to a contract of sale (which will evidence the terms of trade).
  - When engaged by an Australian importer, we understand that the IT systems used by Brokers and Forwarders may only allow a single rate of GST to apply to the same service. Currently, these services are treated as taxable. Under the 2010 GST transport amendments, these charges may be GST-free if the importer engages a Broker or Forwarder to arrange for the international transport, or taxable if the importer had engaged the broker or forwarder to provide only domestic services. Even if Brokers and Forwarders could configure their systems to comply in these circumstances, the GST compliance risks for Brokers and Forwarders would be significant.
  - Customs Brokers do not necessarily have timely access to documentation, or will not know the full cost of transport of the goods to the place of consignment, where that information needs to be included in the VoTI. In the absence of the actual costs, the practice has been that brokers estimate the cost, but they are required to make GST adjustments when the actual cost is known, adding to compliance costs.
24. The transport and related services industry has asked that, if a place of consignment contemplates a place beyond the port or airport, the GST law should recognise the appropriateness of, or a method to simply determine, the VoTI, if all the necessary information is not available to the broker at the time of importation.

### 3. A SOLUTION FOR ESTIMATING THE VALUE OF TRANSPORT AND RELATED SERVICES

#### 3.1 ALTERNATIVE METHOD FOR CALCULATING GST

25. The concerns around the calculation of GST raised by the Customs brokers and freight forwarders were canvassed by the Board of Taxation (the Board) in its Review of the GST Cross-Border Transactions in February 2010.
26. Amongst the Board's recommendations agreed to by the Government, and announced in the 2010-11 Budget, was one relating to simplifying the calculation of GST at the border.
27. Specifically, the Government announced that, for the purposes of calculating the value of a taxable importation for GST purposes, GST registered importers will be able to calculate the transport and insurance costs as the actual amount paid or payable, or alternatively, use an uplifted percentage of the customs value of the goods imported. The uplifted percentage will be 10 per cent.

28. Implementing this recommendation will mean that GST registered importers/customs brokers could choose to calculate the transport and insurance amount<sup>5</sup> to be included in the calculation of the value of the taxable importation as the actual amount paid or payable, or alternatively, an amount equal to 10 per cent of the customs value of the goods imported. In choosing this alternative, no subsequent adjustments to reflect actual costs will be necessary. This should provide opportunities for compliance cost savings.
29. The change would apply to all GST registered importers, but not for goods where WET or LCT is required to be paid, as this would impact adversely on the calculation of the relevant tax liability on such goods.
30. This method will also not be available to importers that are not registered for GST. These importers would not be entitled to any offsetting input tax credits, which means they would bear the cost of the additional GST where the alternative method results in a higher VoTI than in cases where the actual cost of transport and insurance is used.
31. Once legislated, this method should address some of the difficulties faced by the Custom Brokers and Freight Forwarders in calculating the VoTI where actual international transport and insurance costs are not known at the time of importation. This solution should work effectively alongside the strategy proposed below to resolve other issues faced by shipping and airline entities.

#### **Focus question**

Q1: Should the uplift be the default position and the entity making the taxable importation having an entitlement to use actual amounts if they so choose?

Q2: It is currently proposed that the uplift option only be available for GST registered taxpayers. What compliance concerns do you have if the uplift option is not available to all entities making the taxable importations (i.e. unregistered importers)?

## **4. AN APPROACH TO ADDRESS THE PRACTICAL ISSUES FOR THOSE ENTITIES PROVIDING INTERNATIONAL TRANSPORT OR ARRANGING SUCH TRANSPORT AND RELATED SERVICES**

32. The approach outlined is aimed at addressing the practical problems faced by suppliers of international transport and/or related services.
33. Part A concerns supplies by suppliers who enter into a contract of carriage to transport goods to Australia as GST-free. This option is aimed at allowing suppliers who issue a contract of carriage to determine the GST status of their supply from their own contractual arrangements.

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<sup>5</sup> This would also include loading, handling and ancillary costs that form part of the international transportation of goods.

A greater understanding of what supplies other than transport services are included under a contract of carriage is required to determine if any restrictions are needed to limit the services that may be GST-free.

34. Part B relates to suppliers of 'arranging' services and to suppliers that have not entered into the contract of carriage, but are subcontracted by another party to provide services that do fall under a contract of carriage or to complete the importation process. Generally, these services will only be GST-free if supplied to a non-resident who is not in Australia.
35. Part C will endeavour to ensure that those supplies made GST-free under the previous two Parts will be included in the VoTI calculation in s13-20(2) of the GST Act, while also ensuring that such amounts are not counted twice. Part C will be implemented in conjunction with the solution for estimating the value of transport and related services described above in Section 3.

#### **Focus question**

Q3: In considering the various Parts below, please consider whether any will create undesirable impacts on domestic transport providers, specifically in relation to the GST status of the transport services they provide?

#### **4.1 PART A: ALL SUPPLIES UNDER A CONTRACT OF CARRIAGE TO BE GST-FREE**

36. Under this Part, provisions in the GST Act (such as item 5 of s38-355(1)) will provide for GST-free treatment for those suppliers who issue the contract of carriage.<sup>6</sup>
37. Generally, there are two main categories of documentation of carriage:
  - house bill of lading or house air waybill –For the purposes of importing goods into Australia, a house bill of lading or house air waybill will usually be issued by an overseas freight forwarder or similar enterprise. A contract of carriage evidenced by a house bill of lading or house air waybill, unless otherwise stated, will end at the port of destination (that being the port gate in question).
  - ocean bill of lading or master air waybill - These documents are issued by a shipping company or airline and evidence a subcontract of the contract of carriage referred to above.
38. The GST law could be amended, specifically Item 5 of s38-355(1), to treat all supplies by the issuer of the contract of carriage under both forms of contracts mentioned above as GST-free in their entirety. This would mean that the supplier, or issuer of the contract, would be making

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<sup>6</sup> The contract to transport goods to Australia refers to the one entered into by the respective transport entity (airline or shipping company), or freight forwarder which may, or may not, also be the primary contract considered under the existing GST law in determining the place of consignment.

GST-free supplies. These supplies are generally made to the consignor or consignee of the goods.

39. To achieve this outcome with greater clarity, the current link to the *place of consignment* within item 5 of s38-355(1) may need to be removed. We understand that shipping and airline companies do not have access to the relevant contractual arrangements to determine the place of consignment of the goods. These changes are aimed to removing that problem by allowing these suppliers to determine the GST status of their supplies from their own documents.
40. Consequently, the VoTI calculation would also require modification to capture all amounts for supplies rendered GST-free by this new item 5 (refer to Part C below). The essential aspect of this modification is that there should be no double counting of amounts for supplies that have been made GST-free. In respect of the VoTI calculation, the amounts payable under the house bill of lading or house air waybill would be captured. This is due to the fact that the ocean bill of lading or air waybill would be included as part of the amount identified under the house bill of lading or house air waybill.
41. An advantage of this approach is its simplicity:
  - Affected entities would not need to know or consider the place of consignment (as currently defined) and therefore suppliers who enter into a contract of carriage will be able to determine the GST status of their supplies more easily;
  - All the supplies under a contract of carriage, supplied by the issuer of the contract of carriage to the consignee or consignor would be GST-free, even those occurring beyond the port or airport gate. Therefore all supplies under that contract should be treated in the same way for GST purposes.

#### **Focus question**

Q4: For those suppliers who supply a door to door service, will these changes impact on your existing arrangements? In particular:

- We would like confirmation that the house bill of lading or house airway bill that you issue represents a contract of carriage?
- If so, does that contract of carriage stipulate the place the goods are collected and the place the goods are to be left within Australia?
- Alternatively what documents do detail the door to door arrangement?

42. A contract of carriage for goods coming to Australia is often issued by a non-resident. The non-resident supplier will be either a non-resident freight forwarder or a non-resident shipping or airline company. The services under a contract of carriage are supplied to the consignor or consignee or both. However, often a domestic freight forwarder can invoice the consignee on behalf of the non-resident freight forwarder for services carried out under the contract of carriage, and also charge the consignee services carried out by the domestic freight forwarder

that are not covered by the contract of carriage. Accordingly, a law change that focuses on the services that are required to be carried out under a contract of carriage may need clarity as to what services are covered by a contract or carriage and those that are not.

43. Services invoiced to the consignor or consignee that are **not** covered by the contract of carriage will only be GST-free if Part B applies.
44. Additionally, consideration may need to be given as to whether services outside of the standard terms and conditions but form part of the contract of carriage, should only be GST-free if Part B applies. For example, under most contracts of carriage, if goods are not collected within a certain period of time (for example, 3 days) then further charges will apply for extended storage costs. If charges for these additional services were payable well after the charges under the standard terms and conditions then this could present compliance difficulties in determining the VOTI calculation. There may also be additional difficulties in identifying if these services form part of the contract of carriage.
45. The ATO could provide guidance material on what can be included in the contract of carriage under Part A.

#### **Focus question**

Q5: What services are included in the standard terms and conditions of a typical contract of carriage? How should the GST law apply to services that are outside the standard terms and conditions, for example, storage costs greater than the allowed collection time?

## **4.2 PART B: DOMESTIC SERVICES CARRIED OUT BY DOMESTIC SUPPLIERS WOULD BE GST-FREE IN CERTAIN CIRCUMSTANCES**

46. Under Part B, it is proposed that transport and related services performed within Australia that are supplied by domestic entities who are not a party to the contract of carriage (as described in Part A above), would be GST-free in certain situations.
47. Consideration has been given as to whether this proposal could be expanded to cover all supplies carried out at the port of destination regardless of who the recipient of the supply is. However, this is beyond the scope of the Government's announcement and it could potentially give rise to complexities in determining what supplies would qualify for GST-free treatment.
48. Services to be considered under Part B may include:
  - *subcontracted services* - services that need to be carried out under the contract of carriage but are performed under a subcontracting arrangement by suppliers who are not a party to the contract of carriage. For example, this may include stevedores, storage suppliers and domestic transport suppliers;
  - *services outside the contract of carriage* - these are the services that are required to be carried out to complete the importation process but may not form part of the contract of carriage. For example, fumigation and custom broking services; and

- *arranging services* – these will include services provided by suppliers who organise, on behalf of another entity, for services to be carried out.

#### *Subcontracted services*

49. Services that are required to be carried out under a contract of carriage but are supplied by domestic suppliers who are not a party to the contract of carriage would only be GST-free in circumstances where they are made to a non-resident who is not in Australia when the service is done. This outcome is consistent with the existing policy outcome for subcontractors because of the limitation placed on item 5 and 5A of s38-355(1) by s 38-355(2). A non-resident company would be considered as being in Australia if that non-resident carries on business through an agent at a fixed and definite place for a sufficiently substantial period of time.
50. The outcome of this policy position is that subcontracted supplies between entities that are in Australia are not GST-free.
- Non-resident shipping companies usually use the services of Australian based shipping agents to engage service providers within Australian ports such as stevedores, on behalf of the non-resident shipping company. That agent would be eligible under Division 57 of the GST Act to claim any input taxed credits if that non-resident shipping company was registered or required to be registered for GST. Many shipping companies are registered or required to be registered for GST. The services of a stevedore that are made to a non-resident shipping company through an Australian based shipping agent would not be GST-free as per the existing rules.
  - A domestic transport company that is contracted by a domestic freight forwarder to pick up goods at the Melbourne port and transport them to country Victoria would be making a taxable supply. Accordingly, a domestic transport company engaged by an entity in Australia that transports domestic and imported goods would not have a different GST treatment for the imported goods.
51. However as per Part A, the above services would be made GST-free when **on-supplied** to the consignor or consignee by a party to the contract of carriage or an entity acting on the person's behalf. Any on-supply of domestic services that are not part of the contract of carriage will only be GST-free if supplied to a non-resident who is not in Australia. This would allow for those supplies of domestic and international transport and related services by an Australian resident supplier to an Australian resident recipient under a single contract (such as door to door arrangements) to continue to be GST-free. Conversely, if the contract of carriage ends at the port of final destination then the on-charge of the domestic transport services would not be GST-free.

#### *Services outside the contract of carriage*

52. Under the existing rules, the services that facilitate international transport are GST-free if supplied to a non-resident who is not in Australia (item 5A in s38-355(1) as restricted by s38-355(2)). Services that are essential in order for the goods to be cleared or released into home consumption are considered to be services that facilitate international transport if that international transport ended after the goods were cleared into home consumption. As with subcontracted services no policy changes are considered necessary for these supplies.

### **Focus question**

Q6: Do you have any practical concerns about the above policy position for suppliers of the services that are performed at the port or airport of final destination? Many of these services will be acquired by suppliers, such as shipping companies, who will on-charge these expenses in making a GST-free supply.

### *Arranging services*

53. In implementing Part B of the proposed approach, it is envisaged that no change to item 7 in s38-355(1) will be required. Item 7 is considered suitably broad enough to cover arranging services performed by entities in Part B situations.

### **Focus question**

Q7: Under what contractual arrangements will a supplier consider that they are supplying arranging services as opposed to being engaged to supply transport services?

## **4.3 PART C: VoTI CALCULATION TO INCLUDE GST-FREE SUPPLIES UNDER PART A AND B**

54. Part C of the proposed approach will ensure that GST-free supplies, as discussed above under Part A and Part B, will be captured in the VoTI calculation. It needs to be noted that this proposal will be implemented in conjunction with the solution for estimating the value of transport and related services described in section 3.
55. Currently, the VoTI calculation in s13-20(2) of the Act includes those amounts paid or payable for the international transport of goods to their place of consignment in Australia and amounts paid or payable for services covered by 5A of s38-355(1).
56. An essential aspect of the proposed approach is that the VoTI calculation be structured so that supplies that have been rendered GST-free only be accounted for within the VoTI calculation once.
57. Costs identified as being GST-free under Part A should be included in the VoTI calculation. However, if more than one contract of carriage is entered into for the one transport of goods then the law should be made clear that it is the costs under the overarching contract of carriage that should be included in the VoTI calculation. Accordingly, the costs under the house bill of lading or house air waybill should be included, as the costs represented by the ocean bill of lading or air waybill of lading will already be captured under these respective house bills.
58. The VoTI calculation should also be expanded to include those amounts paid or payable for services covered by item 7 of s38-355(1), while continuing to pick up those amounts paid or payable in relation to the international transport of goods and the respective loading, handling and facilitation services.



59. The advantages of this are that those supplies/services identified under items 5, 5A and 7 will be treated in the same way, while the requirement for international transport entities to register for GST in Australia should be minimised.

**Focus question**

Q8: To avoid double counting in the VoTI calculation of amounts that have been included under s38-355(1), it is proposed that amounts paid in respect of the international transport of the goods will relate to the house bill of lading or house air waybill rather than the ocean bill of lading or master air waybill, where appropriate. Would this proposal pose any difficulties for those entities calculating the VoTI?

## 5. NEXT STEPS

60. After this consultation process we would envisage developing a firm proposal to take to Government and seek agreement for the preparation of draft legislation. We would propose exposing the draft legislation for public comment prior to amending the law.