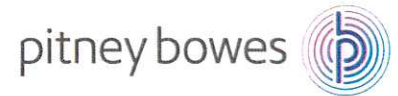


Leigh Walton

Vice President, Global Government and
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December 8, 2016

The Manager
Indirect Taxes and Not – for – Profit Unit
Individuals and Indirect Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: lowvaluegoods@treasury.gov.au

Dear Sir or Madam,

On behalf of Pitney Bowes (“**PB**”), a global technology company that helps our clients navigate the complex world of commerce, I would like to respectfully submit our response to the consultation by the Australian Government for the Exposure Draft of the Treasury Laws Amendment (2017 Measures No 1) Bill 2017: Low value imported goods (Bill). In doing so, PB is grateful for the opportunity to make this submission and engage with the Treasury, the Australian Taxation Office (ATO) and the Department of Immigration and Border Protection (DIBP) on the impact for PB and our clients from the introduction and implementation of the Bill.

BACKGROUND TO PITNEY BOWES AND OUR ECOMMERCE BUSINESS

Pitney Bowes, while based in the United States, has had a presence in Australia for over 40 years, serving small and large businesses and government agencies through mail and software solutions.

Our ecommerce business is based on the premise that consumers desire access to the best products globally. In the 2016 Pitney Bowes Global Online Shopping Survey (<http://www.pitneybowes.com/us/global-ecommerce/case-studies/2016-global-online-shopping-study.html>), we found that 66 percent of consumers globally shop cross border, with Australian consumers some of the most frequent global shoppers (86 percent shop cross-border).

Borderfree Retail: Through our Borderfree Retail business, Pitney Bowes is the cross border ecommerce provider for over 250 retailers. We assist retailers in: a) presenting a localized version of its global retail site, b) ensuring consumers can buy from the retailer in their local currency, c) identifying the full cost of the transaction, including guaranteed duty and tax estimates, d) managing payment options, e) preparing and executing on the cross border compliance, clearance and logistics of the order, including classification of products, customs, border clearance and delivery. Pitney Bowes is the actual merchant of record and the exporter of record, although the end

consumer remains the importer of record in the final destination, with the chosen carrier acting as their agent for the accounting of the appropriate import taxes.

We began with retailers based in the United States (US) and the United Kingdom (UK), helping our clients export their goods to consumers in over 200 countries. Australia is one of our top consumer markets. In August of 2016, we established a physical hub in Australia and have thus far developed partnerships with over two dozen retailers to export their goods globally. We are pleased to be serving Australian companies in this new way.

Borderfree Marketplace: Our Borderfree Marketplace business operates out of the US and the UK and serves one of the largest global marketplace businesses, among a number of others. Though our Marketplace offering is in some ways similar to our Retail offering, there are important differences as well. Pitney Bowes does not serve as the merchant of record or exporter of record through this offering.

It is through serving this broad group of clients and consumers that we offer the following comments:

SUMMARY OF THE POSITION OF PITNEY BOWES

Pitney Bowes understands and respects the rationale of the Federal Government in introducing the measures contemplated by the Bill and as detailed in the associated Explanatory Memorandum. We respectfully ask the Government to ensure that the provisions of the Bill do not create such a burden for global companies selling to Australian consumers that they are at a disadvantage.

PB takes our obligations towards governments seriously and will take all possible steps to ensure compliance with the provisions of the Bill as it becomes law. In taking the opportunity to make this submission, Pitney Bowes has focused on the consequences to our business flowing from the changes, our concerns about those proposed changes, and specific requests as we adjust practices and otherwise seek to comply with the proposed Bill.

CONSEQUENCES AND ASSOCIATED CONCERNS FOR PITNEY BOWES

1. Given our Borderfree Retail business, Pitney Bowes will need to register for GST purposes and will become the "importer" for the purposes of the GST legislation. That will create a new series of compliance and liability issues for PB in our engagement with the ATO, including exposure to interest on underpaid GST and potential penalties. At the same time, we realize the government continues to examine compliance and other issues in the ecommerce ecosystem under the Customs Act 1901.
2. Pitney Bowes believes we are not the entity liable for GST purposes for the business in which we support online marketplaces because we are not the first entity that has entered into an arrangement with the recipient in relation to the supply, as noted in the Bill. Furthermore, Pitney Bowes, in this business model, does not take title of the goods, is not the recognized importer to the Indirect Tax Zone, and is not the operator of an electronic distribution platform as defined by the Bill. We have significant experience in the

area of helping platforms with their operations, and thus we would welcome the opportunity to discuss the best policy outcome and its implications for GST collection and remittance for organizations with the platform business model.

3. The changes contemplated by the Bill will require Pitney Bowes to undertake significant adjustments to our reporting systems as well as to our engagement with our customers, (the original producers of the relevant goods, our clients that serve as operators of electronic distribution platforms, and the consumers who become the ultimate consignees), service providers such as express air carriers of goods and those who operate distribution centers as well as our employees and contractors.

The changes and communications will lead to additional costs to PB, but, more importantly, to implement them correctly will require time for changes to be developed, tested and implemented. Much of this work can only be undertaken when the nature of the changes to practices has been clarified by the ATO, the DIBP and the ABF. Accordingly, PB looks forward to early engagement on the new practices and associated new costs as they are being confirmed.

4. In our recent conversation, we were pleased that the Government recognizes in the cross border ecommerce model there are regular issues with customers wanting to return goods. On the assumption that Pitney Bowes will have an obligation to register for GST and charge Australian consumers GST in our retail business, then our customers will expect to be refunded the GST they have been charged and included in the price paid upon returning an order. Pitney Bowes believes the exposure draft legislation should contain clear language that applies the domestic adjustment rules to cross border ecommerce transactions. In addition, if the Government institutes a processing charge on imports by way of Self Assessed Clearances (SAC), PB believes that the refund principle for GST should also apply to these processing charges.

ADDITIONAL COMMENTS REGARDING THE GOVERNMENT'S INTENDED GOALS

Pitney Bowes has a commitment to responsible business practices and has been widely recognized for our efforts. We are an ecommerce compliance leader and take our responsibilities to our government partners, our clients and our shared end consumers seriously. With regard to the Government's proposed Bill:

1. Pitney Bowes is concerned that a number of parties who may be affected by the Bill may re-structure their obligations so that they do not meet the threshold to report and collect GST (and incur additional business costs in complying with those requirements). For example, other providers may "spilt" their organizations into smaller platforms operated by different (although related) entities to come below the \$75K threshold. That would create a significant disadvantage to PB and accordingly PB is keen to understand the measures to be adopted by Treasury, the ATO, DIBP and ABF to ensure that such "avoidance" is not allowed to occur.

2. Pitney Bowes understands that Australian Business Numbers (ABNs) on SACs may not be are opportunities for "identity theft" if the use of ABNs is not monitored and checked as well as threats to the integrity of the system. PB suggests that full review of the use of such ABNs takes place.
3. Pitney Bowes also understands that the DIBP and DAWR are reviewing the processing charges associated with imports with the prospect that a processing charge may be levied on SACs. That could have a significant impact on PB at the same time that we are dealing with the Bill and its potential changes. If the processing changes are to be implemented that could mean that PB and our customers face costs which are not borne by others selling like goods. If this were to move forward, PB would request that a facility be established for consolidated reporting of SACs so that payments of GST owing on SACs and processing of charges only take place on a monthly or quarterly basis and that processing charges are only made on such consolidated reports not on each SAC being lodged.

IMPLEMENTATION REQUESTS BY PITNEY BOWES

Arising from the comments above, Pitney Bowes has the following requests of Treasury and its colleague agencies associated with the implementation of the Bill:

1. Pitney Bowes requests to be involved in a process to co-develop the new reporting and compliance arrangements contemplated by the Bill. Together with our service providers, we have significant expertise in the field and believe we can assist in this process.
2. Pitney Bowes requests that whatever model is adopted it is done in a way which minimizes costs and changes to procedures and practices needed to accommodate the requirements of customers and consumers. For example the process should allow PB to secure refunds and credits of GST and processing charges for returns on our own account and provide for consolidated reporting for GST on a report which minimizes the exposure to processing charges.
3. Pitney Bowes would be pleased to more fully understand the steps which are to be taken to reduce the prospect of avoidance of the regime by other providers in the market place.
4. We were happy to understand the anticipated approach for multiple items shipped to consumers as part of the same consignment and how those would be considered until the proposed Bill. Pitney Bowes would like to offer to give input and would ask that there be clarity about requirements in these situations given their frequency in the ecommerce environment.

5. Given there may be significant new costs, obligations and liabilities which will arise for PB, we would ask that government agencies provide for a minimum of a six month moratorium against liabilities to the ATO, the DIBP and the ABF (including to penalties and interest) for inadvertent or accidental non-compliance.
6. Beyond any moratorium, PB would request for the regime to allow for ready voluntary disclosure of such inadvertent errors without exposure to penalties and interest together with clear guidance on the "materiality" of errors or changes which need to be reported to the ATO and DIBP through the ICS.
7. As we were happy to understand verbally the intent to recognize the date of the change to apply to purchases paid for on July 1, 2017 or after (the "time of supply"), PB would request a series of binding rulings be adopted to provide certainty on the issue of transactions occurring shortly before the implementation of the new arrangements. These could include handling imports of goods arriving just after the commencement date of the new arrangements, treatment of dates to calculate foreign exchange adjustments between dates of order, dates of supply and dates of import together with details on document retention obligations for PB.

Yours faithfully,



Leigh Walton
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