Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20 – 21 October 2010

Question: SBT 227

Topic: Overseas online sales

Senator Xenophon asked:

Senator XENOPHON—It is out of left field but it is perhaps to the minister and to Mr D'Ascenzo. I have been contacted by retailers who have complained to me about the issue of online sales in that if you purchase goods and books overseas you do not pay GST on that. I know that online sales are about $30 billion a year, I think, of a $300 billion a year retailing sector, and not all of them would be overseas. Has any consideration been given or any analysis done as to what potential revenue leakage there is with respect to, say, the GST on those overseas online purchases? I am happy for that to be taken on notice, but it is an issue that has been raised with me by small retailers.
Senator Wong—From my perspective I would take that on notice. I do not know about Mr D'Ascenzo.
Mr D'Ascenzo—We know the issue and that is the way that the law operates. There is not any inappropriate leakage through those processes other than what the law allows.
CHAIR—And the minister will provide further information on notice?
Senator Wong—Yes.

Answer:

The answer to the Honourable Senator's question is as follows:

Goods and services tax (GST) and customs duty (where applicable) is not collected on imported goods whose value does not exceed $1,000 (other than alcohol, tobacco and goods sent in bulk). This threshold applies regardless of whether the goods are purchased online or by other means and to both business and personal purchases.

The 2010 Tax Expenditures Statement identified the GST Importation Threshold as a tax expenditure valued at $460 million in 2010-11. However, the Tax Expenditures Statement reports that this figure has 'low' reliability, meaning it is based on low quality data and unverifiable assumptions. Importantly, this figure represents the financial benefit of the low value import threshold to taxpayers rather than the amount of GST revenue that would be raised if the threshold were abolished. It also does not account for the administrative costs of levying GST on these transactions. Furthermore, it does not make any distinction between import orders made online or offline.

In December 2010, the Government asked the Productivity Commission to examine the sustainability and appropriateness of the current indirect tax arrangements for imports in Australia as part of a broader inquiry into the Australian retail industry. The Productivity Commission is due to report to the Government in November 2011.

Also in December 2010, the Government asked the Australian Customs and Border Protection Service to conduct an enhanced compliance campaign to ensure that the GST and customs duty concession for low value imports was not being abused or exploited. A three month campaign ran from 1 January 2011 to 31 March 2011. Preliminary data from the campaign is consistent with previous assessments and ongoing compliance activity that suggests that the vast majority of importers are complying with the existing low value threshold rules.