**Submission to the Treasury Department’s Consultation into the GST Treatment of Cross Border Transactions**

I would like to make a submission to the Treasury Department’s Consultation into the GST Treatment of Cross Border Transactions. Robree Investments is entering the sporting goods market through wholesaling sporting goods sourced both internally and externally to Australia. The majority of customers are small independent, often family run, retailers of sporting goods. Whilst these businesses have anecdotally seen some improvement in trade following the disaster that was the GFC, it appears to have been very slow and cautious, and retailers remain very concerned about the tough trading conditions, particularly given the worsening unemployment figures and the likelihood of increases in interest rates in the not too distant future.

Having said that, I believe the retail industry as a whole is very supportive of the direction outlined in the Exposure Draft of the Tax Laws Amendment (GST Treatment of Cross Border Transactions) Bill 2015. While the sporting and active lifestyle goods sector has little interest in the tax treatment of intangibles, it is clear the legislation enabling GST to be applied to intangible goods will be markedly similar to the legislation that will be required for tangible goods.

As I understand the proposal, the Government will require an overseas retailer to register for GST, charge an Australian consumer GST at point-of-purchase and remit that GST back to the ATO. My main questions are how will the Government:

1.       Identify the retailers who are required to do all those things?

2.       Inform those retailers they have to do all those things?

3.       Assist those retailers to do all those things?

4.       Ensure those retailers comply with the new laws?

I believe that if the top 50 or so overseas retailers are captured this will capture about 80 per cent of the incoming market. That’s fine for fashion apparel and consumer electronics and the like, and will likely pick up companies like wiggle in the sports space, but won’t pick up niche players. So there needs to be a mechanism for Australian retailers to identify overseas retailers to be targeted. That doesn’t appear to be in the legislation and I think it should be.

In terms of enforcement, the legislation talks about ‘international tax agreements’, so that, for example, the US Internal Revenue Service would force a US company to register for GST on behalf of the Australian government, but that is a long, slow and difficult process and won’t work in all countries. What we’d like to see on the enforcement side is, basically, that if an overseas retailer does register for GST, then they go on a list that is given to Customs and any of their goods are just essentially waved through Customs – they’ve done the right thing, registered for, charged and remitted the GST, so they don’t have anything to worry about. However, an overseas retailer that has not registered for GST doesn’t go on that list (because they haven’t charged the GST). That means their goods will be stopped at the border and Customs will require the consumer to pay the GST when they pick up the goods. The point of that is to make consumers say “I’m not buying from you if I’ forced to go to the post office or Customs and pay GST just to pick up my package, so either just charge me GST at the point-of-purchase or I will go with a retailer who does”.

There is some concern about the $75k threshold (a company doesn’t have to worry about charging GST if they do less than $75k worth of business with Australia). Given that same rule applies to Australian businesses this should not be an issue as long as, for example, there is a mechanism to recognise when an overseas retailer shifts from doing less than $75k to more than $75k worth of business in a year.

Thank you for the opportunity to comment on this legislation.

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