

14 July 2012

The Secretary
GST Distribution Review
The Treasury
Langton Crescent
Parkes ACT 2500

By Email: gstdistributionreview@treasury.gov.au

Dear Sir or Madam

NRA notes that in the first interim report of the Panel released in March 2012 the Panel at page x of its Introduction observed that:

“The Panel notes recent Productivity Commission and Commonwealth Treasury estimates of annual GST revenue foregone due to exemptions that apply to imports of intangibles and packages below a low value threshold of \$1,000. Any effective policy or compliance action to capture some of this revenue would bolster the GST revenue outlook.

The 2011 Tax Expenditure Statement produced by Commonwealth Treasury estimated albeit with low reliability, that revenue foregone in 2011-12 would be \$630 million in relation to the low value threshold and \$1.1 billion on imports of certain services and intangibles.”

The Panel may be aware that NRA has been campaigning for some time for the elimination of the low value threshold. In so doing we have drawn attention to the fact that no other country in the world maintains a threshold as high as Australia and that most comparable countries such as the UK, EU, and Canada apply only a nominal threshold. In the UK it is £15, in EU countries it is €22, and in Canada it is \$20 CAN.

NRA has also commissioned a report prepared by Ernst & Young for the purpose of measuring the adverse impact of the continued operation of the LVT on the domestic retail sector and the Australian economy. This report was necessary because the Productivity Commission failed to conduct any form of economic analysis when it completed its review into the LVT in December last year.

Importantly for the purpose of the work of the GST Distribution Review Panel, the Ernst & Young Report estimates that by 2015 the foreign non-food online spend (excluding intangibles) will reach \$18.2 billion (refer page 19 and 20 of the Report). This suggests that the Commonwealth Treasury estimate of GST foregone in 2014-15 of \$830 million dollars may be very conservative. Consequently the potential loss of GST arising from internet shopping on foreign websites could be as high as \$1.8 billion by 2015 (excluding intangibles).

NRA commends the Panel for drawing attention to this issue and also for the work it commissioned into the taxation options for the collection of GST arising from the sale of intangibles and packages by non-resident suppliers (Michael Evans Report).

We enclose a copy of the Ernst & Young Report for consideration by the Panel.

Should the Panel require a briefing from NRA or the author of the Ernst & Young Report we would be available to meet at a convenient time. Should the Panel require other information or assistance from NRA, please do not hesitate to contact me on 07 3240 0127 or at g.black@nra.net.au.

Yours faithfully

A handwritten signature in black ink, appearing to be 'G. Black', with a stylized flourish at the end.

Gary Black
Executive Director