



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

PROOF

BILLS

**Treasury Laws Amendment
(GST Low Value Goods) Bill 2017**

Second Reading

SPEECH

Wednesday, 14 June 2017

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Questioner
Speaker O'Brien, Ted, MP

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Mr TED O'BRIEN (Fairfax) (10:57): The Labor Party yet again, as indicated by the member for Fenner, is paralysed when it comes to taking action in support of small businesses in Australia. It is always the coward's way out to say that in principle we agree, but we do not like the detail. Do we have an alternative proposal? No, we do not. The Labor Party has no alternative other than their usual kick-the-can-down-the-road approach of let's just have analysis and paralysis, and maybe one day we can take action to help small business.

Well, the coalition thinks otherwise, and I rise today in support of the Treasury Laws Amendment (GST Low Value Goods) Bill 2017. Let's make no mistake: this is indeed a profoundly important change to our tax system. It is a world first, in fact—a change that will level the playing field and deliver competitive neutrality for our more than two million small businesses across Australia. This bill is a commitment to Australia's small businesses, and the retail sector in particular, as outlined in the 2016-17 budget.

Importantly, this significant tax reform is supported by the Council of Australian Governments, COAG, with the unanimous agreement of the states and territories, and represents a rare opportunity to address longstanding challenges to revenue and service delivery. This reform is also supported by the retail and business sectors themselves, including the Australian Retailers Association. I commend the Treasurer for his commitment to amending the GST model to reflect a modern-day global economy and to ensure the viability and future of Australia's small business sector. The goods and services tax is a fundamental function of the Australian economy. It must be fair, equitable and reflect the consumption habits of our country. That is why this bill is so important. It extends the goods and services tax to low-value goods importations under \$1,000 by removing this arbitrary threshold. It is no longer relevant today, and it is suppressing small business economic growth and distorting the integrity of our GST base. This change will ensure that goods imported by consumers will face the same tax regime as those which are sourced within Australia. This evens the playing field for our businesses and, particularly, our small business owners.

According to Treasury's 2016 *Small business data card*, small businesses account for 97 per cent of Australian businesses and employs 4.8 million Australians. In 2015, small businesses accounted for \$379 billion of our nation's economic output, an increase of \$37.6 billion on 2014 levels. And let us not forget that in that wonderful place the Sunshine Coast in Queensland there are over 37,000 small businesses that are keeping the economy alive. That indicates why the Sunshine Coast is such a booming economy today—due to small businesses. They are truly the engine room of regions and of this country.

What is more, amending the GST laws to better reflect today's retail market is good economic policy. As we all know, retail spending is no longer locally based. In fact, you can purchase anything any time from the comfort of your own lounge room. When the GST was introduced in 2000, we, as consumers, did not generally purchase goods located overseas. In the 17 years that have since evolved, our spending habits and the retail environment have changed dramatically. In the year 2000, only 37 per cent of households had access to the internet. That is 46 per cent of the population. Today, it is 93 per cent. In the year 2000, only four of today's top 20 largest online Australian websites had been established. Based on sales, Australia is ranked as the second biggest e-commerce market in the Asia-Pacific region and the tenth in the world, and is expected to surpass \$24 billion in 2018, a rise of 21 per cent. Australians love buying things online. Staggeringly, nearly 70 per cent of these buyers make cross-border purchases from overseas locations, primarily the USA, China and also the UK. This bill ensures that the unfair benefit enjoyed by these international sellers since the year 2000 is stopped. By ensuring the same taxation measures apply to everyone who sells to Australia consumers, we level playing field for our Australian businesses.

This bill forms part of the coalition government's commitment to a fairer tax system and, what is more, it signifies a world first and recognises the need for a multifaceted solution fit for today's modern and globally interconnected economy. The vendor registration model proposed in this bill has been endorsed by the Council on Federal Financial Relations and is supported by a simplified online GST registration system to assist non-

resident suppliers to comply. I acknowledge the responsibility placed on vendors and others. This does not come without cost or inconvenience as they redesign processes for their companies, and I thank them from doing their bit to ensure this reform is indeed a success.

This bill allows for review in two years to ensure that the changes are operating as intended, and it takes into account any international developments. This is an important aspect of the reform and recognises the complicated nature of cross-border trade, imports and the ever-changing nature of our global economy. Despite the member for Fenner expressing concerns that Australia is leading the pack and implying that Australia is going alone, in actual fact Australia is not going alone. Others are looking beyond their own borders and recognising a similar issue that needs to be addressed.

In 2015 the OECD delivered an international standard for the collection of taxes and cross-border sales, including low-value goods, to ensure they are paid in the country where they are consumed. Also in 2015 the European Commission announced its strategy for the European Union's EU digital single market. As with the OECD model, this strategy seeks to move the collection of taxes, including for low-value goods, to the location of the final consumer. The EU strategy will see tax charged under the rules of the originating country on sales that are made across the border. In the United Kingdom changes are being proposed which compel overseas entities to appoint a tax representative and hold online marketplaces responsible for unpaid taxes on overseas products sold to UK consumers. What we are proposing here, contrary to the claims made by the member for Fenner, is in fact consistent with strategies adopted elsewhere internationally, and we should not be afraid that Australia is taking the lead.

I close with a simple reminder that this bill, which extends the GST to low-value imports, is a crucial reform, one which supports our small businesses, one which delivers fairness and equity to our tax system, one which restores integrity to our GST regime, one which recognises the global nature of today's retail and consumer markets and one which sees Australia lead unashamedly from the front in establishing a new law that is right for now and even more right for the future. I commend the bill to the House.