



# Star Audio Visual Association Inc.

YOUR AUDIO VISUAL SPECIALISTS

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Dear Prime Minister, Treasurer and Assistant Treasurer,

## RE: Problems with the GST & Duty exemption on low value imported goods

The STAR Audio Visual Association is a national body representing retailers and wholesalers of specialist consumer electronics in Australia. These include hi-fi and home cinema stores offering premium products and services and the wholesale businesses that supply them.

We are extremely concerned by the current GST & Duty exemption for goods worth less than \$1,000 imported from overseas. The exemption effectively subsidises foreign online businesses at the expense of Australian business, thus threatening their livelihoods and the jobs that they provide. We therefore seek to have the exemption abolished.

Although STAR represents specialist retailers (as opposed to mass market chain stores), we support the Fair Imports Alliance in its campaign to equalise the tax treatment for any individual or business seeking to import products into Australia.

We make the following comments:

1. Running a retail business (or any business) requires profit margin. If Australian shops are unable to retain this margin, then these businesses will contract or even disappear in favour of foreign online outlets. This will cost Australian jobs and reduce choice for Australian consumers.

Currently the low value GST/duty exemption enables foreign online businesses to have a 10% to 20% advantage in profit margin over Australian retailers. Foreign entities can retain this margin for themselves, or use the margin to discount the product at the expense of Australian businesses that must pay GST and duty.

This distortion of the tax system is highly damaging to Australian business, the Government and the community at large. It is also patently inequitable.

2. As the online retailing industry develops, the competitive advantage available to foreign online retailers will be magnified by the exemption. It will accelerate the rate at which business moves online, not to Australian businesses, but to foreign businesses that do not provide jobs, pay tax or benefit the Australian community. Australian shops and wholesalers will suffer a loss of business and may in some cases close, being unable to compete with foreign online offerings.

The exemption amounts to a subsidy in favour of foreign online businesses at the expense of Australian business and community.

3. Australian retailers need to carry stock. This costs money. Foreign online businesses can carry a smaller stock and thus operate on lower margins while also benefiting from scale that is not possible to achieve in Australia. If anyone deserves a GST/duty exemption, it is not foreign businesses, but Australian businesses that invest in inventory, provide jobs and support the community through their tax contributions.

The STAR association seeks equal tax treatment for all businesses and consumers through the abolition of the exemption.

4. In the area of consumer electronics (relevant to our members), the Government has imposed requirements that imported electrical products meet certain safety, emissions and electrical standards under legislation like the *Radiocommunications Act 1992*. This includes, amongst other things, a requirement that importers certify their products to meet Australian standards by applying a C-tick mark to imported products.

By allowing items imported directly from overseas under the exemption, the purpose of Australian standards is undermined with respect to safety and emissions. The exemption will see an increase in non-compliant product being available in Australia as private purchasers need not adhere or even know about Australian standards or the C-tick system.

5. The cost of compliance is often cited as a reason for the exemption. We argue that by removing the exemption, the Government would not only collect more GST and duty revenue, but that additional compliance costs would be more than adequately financed by this revenue.

Further, there is a distinction between assessing every single package that comes into the country and merely removing the exemption. One option would be to allow purchasers to self-assess GST with heavy fines for fraudulent assessments. While a percentage of purchasers would no doubt take advantage of this process, the majority of purchasers would declare and pay the GST/duty to comply with the law. Customs need only enforce a sample of shipments to deter purchasers from breaking the law in this area.

Another alternative would be to remove GST and Duty from all items worth less than \$1,000, although we appreciate that this would result in a considerable loss in revenue for the Government and the community at large.

The European example is instructive. There, any items purchased outside the EU and imported into member states (e.g. the UK) are subject to VAT and duties if the item is less than €10 to €22. This is a long way from Australia's current threshold of A\$1,000. In some Scandinavian countries, an alternative approach is taken by levying a substantial fixed VAT on all items under a certain threshold, thus removing the need for assessment.

In summary, the removal of the exemption is not about protecting big chains or big business, as has been portrayed by some media outlets and commentators. On the contrary, it is about levelling the playing field so that all business, big and small, has a chance to prosper in Australia. It is about business survival and the removal of bias enjoyed by a particular business sector (foreign online businesses) at others expense.

It is about protecting Australian jobs and giving consumers choice.

We therefore request that the low value GST/duty exemption be abolished as soon as possible. We also look forward to the results of the Productivity Commission inquiry into the Future of Australian Retail.

Thank you for your consideration of this important matter. We look forward to your response.

Yours Sincerely,

Philip Sawyer  
Chairman  
**STAR Audio Visual Association Inc.**

cc: Chairman of the Productivity Commission, Future of Australian Retail,  
Leader of the Opposition