

19 May 2011

Chairman
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Dear Sir,

Re: Inquiry into the Economic Structure and Performance of the Australian Retail Industry

Target welcomes the opportunity to contribute to the Productivity Commission's inquiry into the future of Australia's retail sector ("Retail Inquiry") from the standpoint of a large retail operator with 291 stores and a team of more than 24,000 employees Australia wide.

Our comments to the Retail Inquiry are in reference to Section 4 of the Issues Paper regarding the appropriateness of the current indirect tax arrangements. At present, under the threshold level for low value imports, no GST or customs duty is levied on imported goods which are valued at less than A\$1,000.

Firstly, Target believes that Australian retail consumers should not be exposed to greater levels of taxation than they are currently. Therefore, importantly, Target believes that any changes arising from the Retail Inquiry should not result in an increased tax burden being borne by Australian retail consumers.

Secondly, Target wishes to highlight the need to address the imbalance that exists within the current indirect tax regime that is placing Australian retailers at a competitive disadvantage relative to offshore retailers. Under the current taxation arrangements, domestic online and 'bricks and mortar' retailers are operating in an environment that penalises trading in their local domicile. For example, an offshore clothing retailer is given up to a 20 percent structural cost advantage to service Australian consumers due to the fact that GST and duty is not payable on its imported goods sold below A\$1,000. As the penetration of online retail increase in the coming years, this will become a very significant matter for online and 'bricks and mortar' retailers that are based in Australia.

We believe that it is important for the long term future of the Australian retail industry that a solution is found that addresses the imbalance in indirect taxation between offshore retailers and Australian retailers, in a way that does not increase tax payable by Australian retail customers. While developing a solution that simultaneously meets this objective and criteria will not be easy, Target is willing to be an active participant to the formulation of such a solution.

Target looks forward to the Productivity Commission's findings of its Retail Inquiry following consideration of the matters we have raised.

Yours sincerely,

John Box
Chief Financial Officer
Target Australia Pty Ltd