

Australian Retailers Association and Shopping Centre Council of Australia

*Tax Laws Amendment (Tax Integrity:
GST and Digital Products) Bill 2015*
(The 'Netflix Tax')

7 July 2015

ABOUT US



- The **Australian Retailers Association (ARA)** is the peak industry body representing Australia's \$265 billion retail sector which employs over 1.2 million people. The ARA ensures retail success by informing, protecting, advocating, educating and saving money for its 5,000 independent and national retail members throughout Australia.
- The **Shopping Centre Council of Australia (SCCA)** is the national industry group for Australia's major owners, developers and managers of shopping centres. Our members collectively own or manage in excess of 12.8 million square metres of retail floor space in metropolitan, regional and rural areas across Australia.

EXECUTIVE SUMMARY



- The retail and shopping centre sectors are partners on improving GST integrity.
- We strongly support the Government's effort ensure the consistent application of the GST to digital goods and services consumed in Australia, whether purchased domestically or off-shore.
- There is genuine common ground between our respective memberships regarding this GST integrity measure.
- We want local Australian businesses, including small business retailers, to be able to compete fairly with off-shore suppliers.

EXECUTIVE SUMMARY



- In our joint submission to the *Re:Think Tax discussion paper*, we told the Government that the integrity of the application of the GST (ie. the GST's base) should be considered first.
- GST loopholes, like no GST on intangibles from foreign suppliers and the \$1,000 Low Value Threshold (LVT) on imported tangible products, should be closed before other GST reform options are considered in the context of the *Re:Think* process.
- We are pleased that, through this Bill, the Government is taking an **initial** step toward addressing the un-level playing field between the application of the GST on goods and services sourced domestically and off-shore.

LEVEL THE PLAYING FIELD



- The Government should remove the current unfair advantage off-shore suppliers of goods and services receive through the inconsistent application of the GST.
- Applying the GST to digital products and other imported services sourced off-shore is not a new tax.
- It is the appropriate application of the GST to products which would, if purchased domestically, attract the GST.
- International corporations should to be paying their fair share of GST in Australia.

LEVEL THE PLAYING FIELD



- This loophole gives off-shore suppliers an unfair advantage.
- It places domestic retailers behind their international competition in terms of tax inclusive pricing and tax compliance.
- The same is true of the LVT GST exemption on imported tangible products.
- (The Government should apply the reform principles informing the 'Netflix Tax' to tangible goods and address the LVT in the context of the Tax White Paper process.)

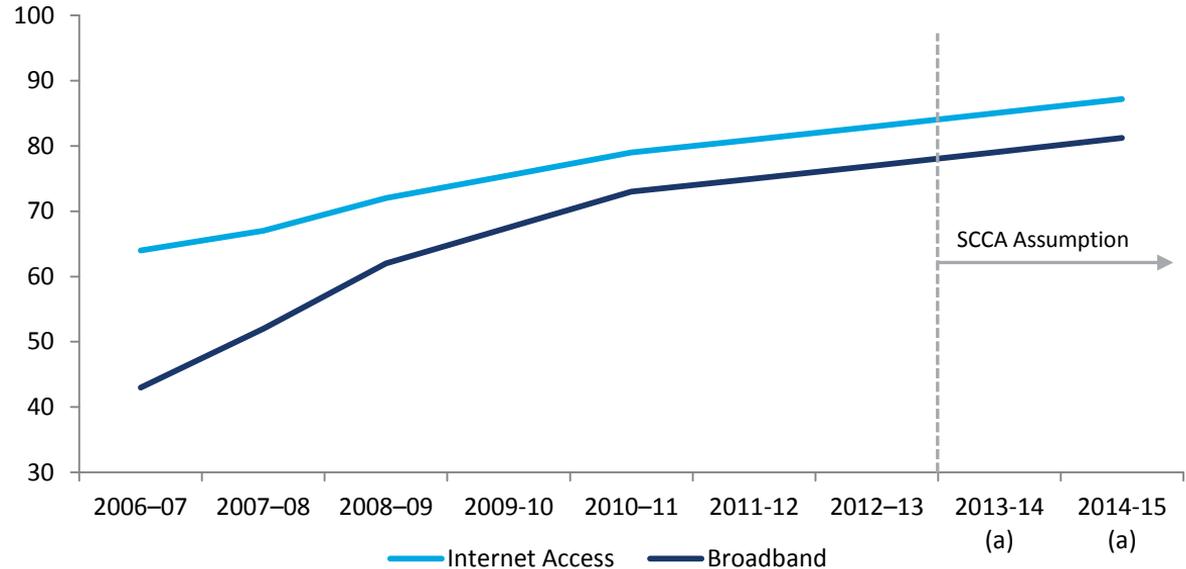
CONSUMERS ARE WILLING AND ABLE



According to the latest available ABS data, in 2012-13 83% of Australian households had access to the internet.

Around three quarters (77%) of households had Broadband access.

Use of Information Technology in Australia
Proportion of Total Households with Internet Access (%)



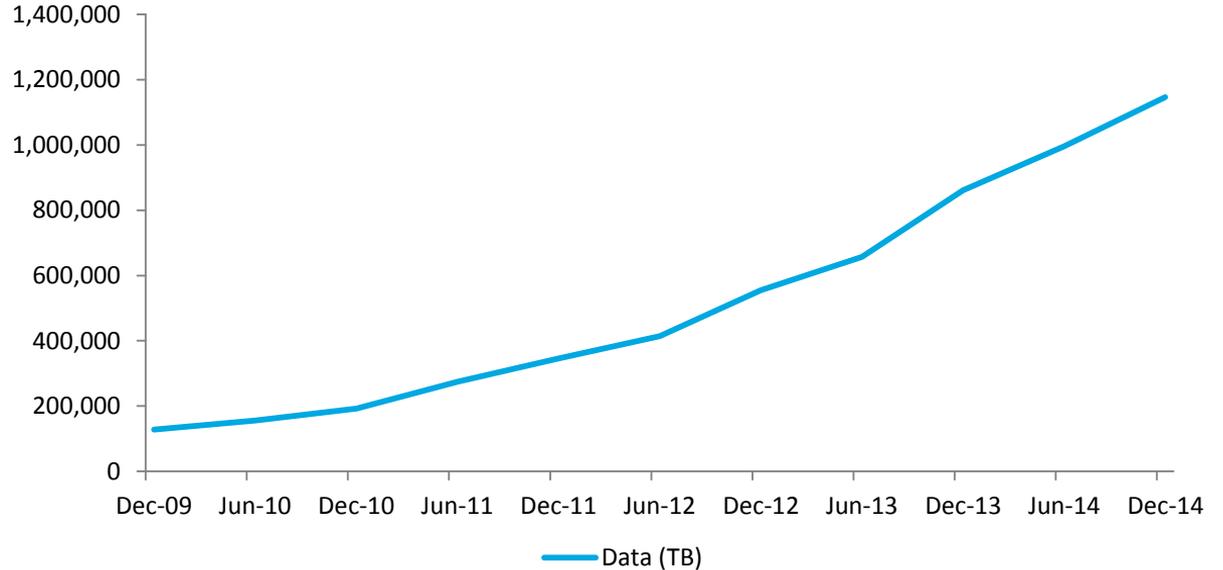
Source: SCCA Research / ABS

CONSUMERS ARE WILLING AND ABLE



The volume of data downloaded in Australia has grown exponentially, increasing by almost 800% since December 2009.

Use of Information Technology in Australia
Volume of Data Downloaded for ISPs with >1,000 Subscribers (TB)



Source: SCCA Research / ABS

CONSUMERS ARE WILLING AND ABLE

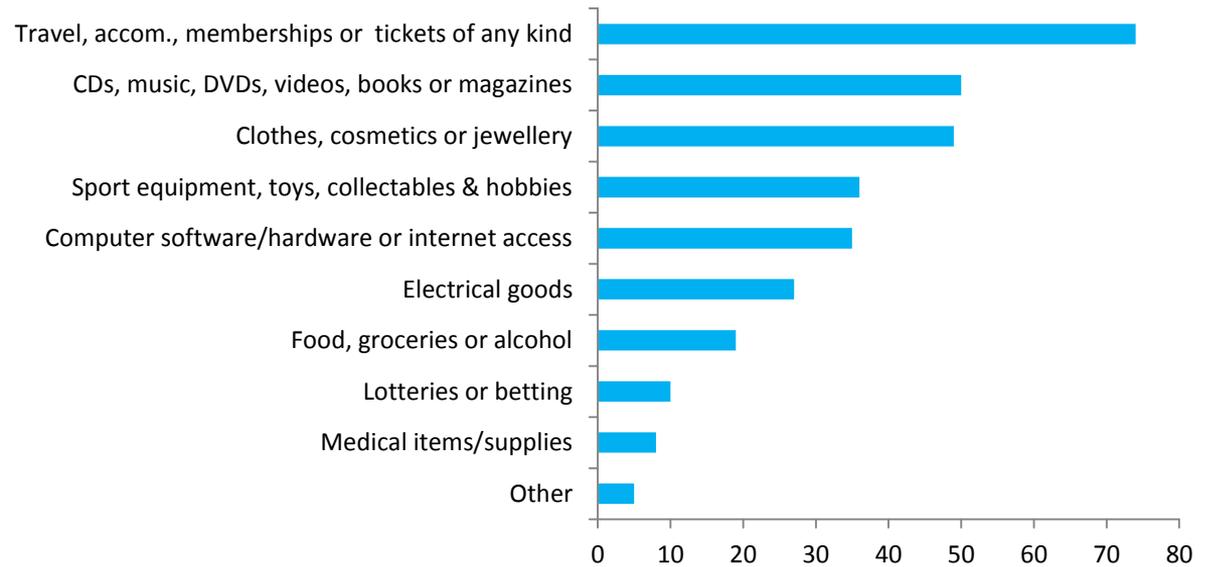


Australian's have shown themselves to be savvy internet shoppers.

In 2012–13, internet users (11.62 million) purchased a diverse range of goods and services online.

Use of Information Technology in Australia

Types of Goods & Services Purchased via the Internet 2012-113 (%)



Source: SCCA Research / ABS

THE NEED TO ACT NOW



- The consumption of intangible goods and services is expected to grow in the coming years as more people have access to faster internet.
- The Government is right to close this GST loophole now so the GST base does not progressively erode as more and more consumables become digitised and more easily accessible from off-shore providers.
- The application of the GST needs to stay ahead of, for example, the next generation of 3D printing whereby a digital product could be purchased from off-shore, but printed into a tangible form prior to use domestically.

THE NEED TO ACT NOW



- The Government is forecasting revenue of \$350 million across the forward estimates period, with the change to be effective from 1 July 2017.
- Based on this forecast, the SCCA estimates that tax revenue of around \$3 billion could be lost over 10 years if this GST loophole isn't closed.
- (This assumes that the GST revenue to Government from the consumption of off-shore intangibles grows slightly above the long-term historic growth rate of Retail Turnover (ABS) to account for an anticipated growth in demand for intangible goods in the coming decade).

THE NEED TO ACT NOW



- Australian consumers are actively being enabled, including through the Government's own policy and expenditure commitments, to engage in online marketplaces.
- This includes through the Government's commitment to completing the NBN and ensuring that "...all Australians have access to very fast broadband as soon as possible..." (*Statement of Expectations, April 2014*).
- The rollout of the NBN may precipitate an increase in the consumption of off-shore intangibles, particularly those which require a reliable and fast internet connection (eg. movie and TV streaming, downloads).
- The Government should take every opportunity to hasten the payback period for the multi-billion dollar NBN, even if only incrementally, and ensure value for money to taxpayers by ensuring that GST loopholes are closed.

PROPOSED MODEL



- We support the general proposal that off-shore suppliers of digital and other intangible goods and services (or a related electronic distribution service - EDS) should collect and remit GST to the Australian Government.
- This is a modern approach which will defer administrative costs from Government (and is akin to the proposals made by industry stakeholders with regard to the related proposed reduction of the current \$1,000 LVT).
- We understand that there is no proposed 'threshold' for the application of the GST and that all relevant goods and services will have the GST applied – this should remain the Government's goal in delivering this reform.

PROPOSED MODEL



- It is acknowledged that further consultation is anticipated with liable entities with regard to, for example, how they determine whether a consumer is an Australian resident, and a modified GST registration and remittance scheme to simplify this process for off-shore suppliers.
- This flags a related communication effort to make sure that liable entities are aware of, and satisfy, their tax obligations to the Australian Government.
- In light of this second stage of consultation, and the need to implement some new systems and processes, we understand the proposed start date of 1 July 2017.

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