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TITLE: **GST $1000 threshold: retailers' share in more trouble than Harvey's image**

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PUBLICATION: **Crikey**

PUBLICATION DATE: **20/01/11**

LINK:

Henry Rosenbloom, founder and publisher of Scribe, argues that while there are good political arguments for maintaining the $1000 threshold for imposing GST on imported goods, there are no reasons of "principle" for doing so. If that's the strongest argument that can be mounted in defence of the big retailers, then their market share is likely to be in more trouble than Gerry Harvey's public image.

The GST was designed according to three separate, and at times competing, principles; efficiency, simplicity and equity. Let's take them in turn.

If I were to purchase something for $10 from overseas the GST, were it to be collected, would amount to $1. Would it be efficient to employ tax and Customs officials to ensure that this $1 was collected? It seems ironic that while governments are often criticised for wastefully implementing grand ideas when it comes to broadening the base of the GST, this is exactly what they are being urged to do. That is, even if you are going to spend $50 to collect $1 it should be done in the pursuit of "equity".

The second principle on which the GST was designed was that of simplicity and there can be little doubt that there is nothing simple about monitoring, valuing, or collecting GST from the enormous flow of idiosyncratic goods flowing onto our shores via the postal system.

Much of the commentary around the $1000 threshold from those that want to see it reduced or abolished seems to be based on the mistaken notion that low value imported goods are the beneficiaries of the only exemption from the GST. In fact, a wide range of goods and services are exempt including second-hand goods, financial services and even animals purchased from the pound. The potential difficulties in valuing and collecting the GST on such products was the main principle on which they were exempted from the GST.

Finally, there is the principle of equity to which Rosenbloom and the big retailers are attempting to attach such weight. The argument being put is a simple one: if local retailers have to pay GST on all sales then foreign suppliers who don't have to charge GST on sales of up to $1000 have an unfair advantage.

There is no doubt that if the GST liability for goods purchased by individuals from overseas could be costlessly assessed and collected that it would be equitable to collect it. Indeed, if this were the case it is unlikely that anyone would argue for the exemption. But, to state the obvious, that is not the case in Australia. Leaving aside the fact that equity is only one of three principles that need to be considered in evaluating the GST, what is the equitable way of treating goods imported by individuals?

Would it be equitable for Australian taxpayers to spend $50 to collect $1? If so, what would the advocates of such an expensive approach to equity suggest is the most equitable way to collect the lost $49?

Alternatively, would it be equitable to require consumers or overseas suppliers to complete all of the paperwork required to estimate and remit GST for every *individual* purchase when Australian suppliers can aggregate all of their purchases over three months (as they do in the form of Business Activity Statements)?

Finally, if the threshold of $1000 was acceptable to retailers in 2000 is it equitable that it has not been indexed for 10 years? Surely as wages and other costs associated with assessing and collecting the GST on individually imported goods rise so too should the threshold?

The unstated reality that underpins the attempt to reposition the most profitable retailers in Australia as the best friend of Australian consumers and workers is that no one cared about the "unfair advantage" that flowed to foreign suppliers as a result of the $1000 threshold when not many people were utilising it.

If a principle is a statement of values on which actions should be taken it seems surprising that the big retailers concern with the principle of equity has risen proportionately with the rising demand for online purchases.

Australian retailers, and the property developers who tithe a fair wack of their enormous profits, have done well out of Australia's highly concentrated and geographically isolated retail market. Just as the internet fundamentally changed the way we purchase music and airline tickets, so too will it transform the way we buy clothes and televisions.

Blaming government might get shareholders off the backs of retail managers in the short term but in the long run, like the price differentials between Australian and American clothes, the problem is far bigger than the GST.

Online purchasing, whether it is from Australian or foreign websites, will transform retail in the coming decades, delivering lower prices, greater choice and, almost inevitably, fewer local retail jobs. The big retailers "in principle" concern for such jobs would be more convincing if they hadn't been so busy installing self-serve check outs in their outlets and importing foreign-made products.

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