

The Board of Taxation
The Treasury
Langton Crescent
Parkes ACT 2600

Via Email: LVIG@taxboard.gov.au

Date: September 20, 2021

RE: REVIEW OF GOODS AND SERVICE TAX ON LOW VALUE IMPORTED GOODS

Dear Secretariat,

Thank you for inviting us to share our feedback and comments as part of the Board of Taxation's review of Good and Service Tax ("GST") on low value imported goods ("LVIG").

Introduction of AliExpress

AliExpress is Alibaba Group's international retail marketplace connecting global buyers, including consumers and small businesses, with third party manufactures and distributors from China and around the world. We respectfully comply with the applicable laws and regulations in all jurisdictions in which we operate, including those in Australia.

Our view on the implementation of the Treasury Laws Amendment (GST Low Value Goods) Bill 2017

- 1. Marketplaces and technologies are evolving and the Electronic Distribution Platform (EDP) definition needs to be updated*

GST on low value imported goods was introduced with an aim to ensure "a level playing field" for domestic and foreign retailers selling goods to consumers in Australia. Conventional online marketplaces are captured in the scope of Electronic Distribution Platforms (EDP) under the Treasury Laws Amendment (GST Low Value Goods) Bill 2017. However, as business models and technologies continue to evolve, new forms of selling into Australia, which are beyond the current EDP scope, are growing rapidly. As examples, these include sophisticated software developed for online shopping and online shopping software programs embedded in and supported by social media platforms. They have the same or similar functions as conventional marketplaces enabling buyers to place orders online, manage inventory, arrange payments, and provide pre and post-sales customer service.

If the Bill intends to ensure compliance across the board and level the playing field, the scope of EDPs will need to evolve to capture a number of players currently not defined by the existing legislation.

2. *Australian business buyers face difficulty in recovering GST collected by EDPs due to invoicing restriction imposed on EDPs. Removal of invoicing restrictions may be a solution.*

The current regime requires EDPs to collect GST from Australian business buyers unless such business buyers can have their GST numbers verified in advance. Validation of GST numbers in advance causes inconveniences and delays for business buyers. In cases where orders processed before validation of GST registration, the business buyers have to pay GST first and then claim a refund after validation of GST registration. EDPs incur significant processing costs on third party sales in refunding GST.

It is therefore worth considering an alternative method to better serve the legitimate request of business buyers to recover GST collected by the EDP: allowing EDPs to issue GST invoices to the business buyers for which transactions GST have been duly collected and paid to the ATO. Under this method, Australian business buyers are able to recover the GST efficiently. This method aligns with the current administration of GST.

3. *The costs associated with collecting GST are increasing.*

Fees charged by third party payment processing firms in relation to GST collection have become an increasing cost for EDPs which only charge a small fee on each sale. To sustain the practice of GST collection by EDPs, the authority may consider following the suit of some states in the U.S. where the states authorities provide incentives in the forms of credits or allowances to EDPs for collecting and remitting sales tax to the state tax revenue departments.

Thank you again for inviting Alibaba Group to provide feedback on GST on low value import goods.

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Faithfully,

A handwritten signature in black ink, appearing to read 'Albert Liu', written in a cursive style.

Albert Liu
VP & Deputy GC
Alibaba.com Singapore E-Commerce Private Limited