

The Australian Booksellers Association welcomes the opportunity to make a submission on the application of GST to Cross Border transactions.

All aspects of the Books Industry have called previously joined with the ABA in calling for reform in this area.

Those organisations who have previously supported our position include

Australian Society of Authors
Australian Literary Agents Association
Printing Industries Association of Australia
Australian Publishers Association

Our submission responds to the Discussion Documents question

Is your business being adversely impacted by on-line supplies and low value transactions? If so, what changes would you suggest to the current approach?

Overview

The issue of consumption tax, retail and cross border trade is a problem for many industries not just books

The significant increase in International e-retailing in physical goods has reached volumes that impact both on the health of Australian Retailing, and GST revenue. The most significant components of this trade come from the entertainment sector with online overseas purchases in books, music, DVD's and computer games estimated to take up between 5 and 10% of total sales.

The national consumer and educational book market alone is estimated at \$1.714 billion in 2008¹.

Models

1. Vendor Compliance

The ABA's preferred model is for the online traders doing business into Australia to be required to collect the TAX.

Around 17 states in America currently require retailers to collect the sales tax to ensure online inter-state retail does not avoid their state based consumption taxes.

As the Discussion paper notes, the EU already requires the vendor to charge and remit the consumption tax based on the location of Consumption with regard to digital services and intangibles.

In addition it rightly points out in section 2.4 that, *the guidelines being developed, are equally relevant in the cross-border trade in goods.*

¹ *Global Entertainment & Media Outlook 2008-2012*, Pricewaterhousecoopers LLP, Hune 2008

Given that the stated primary objective of the GST system is to ensure the *private consumption of goods and services from offshore is taxed in the same way as similar things acquired domestically*², introducing a system which sees businesses trading into Australia complying with the same regulatory framework as domestic businesses would redress the unfair competitive advantage these businesses hold over our own domestic online businesses.

2. Consumer Compliance

If option 1 is not viable due to International treaty obligations, or difficulties in enforcing compliance then the ABA advocates the removal or dramatic lessening of the threshold for gst free importing by the consumer.

It is estimated the average spend by a consumer in the online book market is around \$50AUD, so in order to be effective the threshold would need to be set at this or a lower level.

Further changes in online trading have also impacted on the sub \$50AUD market. Some online vendors currently offer a freight free service out of the UK, which, combined with an absence of GST and occasional deep discounting sees domestic sales of selected titles significantly affected. While some local online vendors are able to match the freight free service, and have the capacity to discount in a competitive market, they start with a 10% price disadvantage meaning that there is further increasing the slippage of market share and loss of GST revenue to the government.

Conclusion

In order to address the competitive imbalance currently enjoyed by overseas online retailers we do not see a requirement for those companies to be required to collect the consumption tax as a onerous, but rather a practical response to the increasingly global nature of consumer spending

We would urge the Board to fully investigate the viability of our first option before considering the level at which any customer import threshold be set.

Attachments

1. Press Release 15 December 2008 Book industry calls for GST reform
2. Book Industry Cross Border GST comments.

² Board of Taxation Discussion Paper section 2.6

Book industry calls for GST reform

All sectors of Australia's book industry have united to call for reforms on taxes on book sales to remove discrimination against Australian booksellers.

Booksellers, authors, printers, publishers and literary agents today asked the Federal Government to think again about the imposition of GST on book sales.

And they argued that excluding GST from the tax inquiry by Treasury Secretary Ken Henry was a missed opportunity that should be reviewed.

"The key factor concerning the whole of the industry is that we have an unfair, lopsided tax system which penalises people who buy books from Australian booksellers," said Malcolm Neil, CEO of the Australian Booksellers Association.

"When you buy a book in Australia, the price you pay includes 10% GST. But when you buy a book via the internet from an overseas site like Amazon you are charged no Australian tax at all.

"The logical move is for the Federal Government to either exempt books from GST—as the UK did with VAT — or to impose an equivalent levy on books ordered from overseas booksellers," Mr Neil said.

Australian Publishers Association CEO Maree McCaskill said the Australian book tax regime subsidised overseas booksellers, printers and publishers.

"Overseas-based internet booksellers effectively siphon off more than \$160 million a year worth of sales from local businesses because the tax system discriminates against the industry in Australia."

Jeremy Fisher, Executive Director of the Australian Society of Authors, said, "The current tax regime for books disadvantages hundreds of independent Australian booksellers, and the industry is united in calling for urgent change."

Jenny Darling, President of the Australian Literary Agents Association, and Philip Andersen, CEO of the Printing Industries Association of Australia, also backed the call.

For further information: Malcolm Neil 03) 9859-7322; Jeremy Fisher 02) 9318-0877; Maree McCaskill 02) 9281-9788; Jenny Darling 03) 9827-3883; Philip Andersen 02) 8789-7300.

15 December 2008



Book Industry comments relating to the unfair competitive advantage held by overseas online trader relating to the charging of GST

Meanwhile, a range of developments has begun to emerge that could, in time, appreciably affect the nature, production and sale of books, with implications for the operation and impact of the PIRs. The most prominent to date has been the rise of online book retailers. Australian consumers can now effectively parallel import books themselves, as soon as they are released anywhere in the world, and can take advantage of different prices and format choices, as well as the GST-free status of books purchased online from abroad.

Productivity Commission

Study into the Parallel Importation of Books 2009 P1.3

Now with the internet used by almost 80% of Australians, books printed around the world are available with a few mouse clicks, GST-free — an instant 9% discount to prices at an Australian bookseller.

Australian Publishers Association

The loss of custom to overseas internet sales does not seem to bear any relationship to copyright restrictions and is more a factor of the vastly different cost, distribution and discount structure of Amazon.com which also benefits from not having to charge GST on all sales.

Leading Edge Books

Sydney

The effect of GST on any price difference is an issue the government can do something about. This is a playing field that needs to be leveled, and can be. An ideal solution would be to adopt the UK model, and to discontinue taxing books here. Another solution – and one perhaps more likely to be accepted by government – would be to ensure that online retailers such as Amazon levy a GST on any purchases originating in Australia and remit it to the ATO. Amazon already has the capability to do this – US states such as New York require it to apply and collect their taxes. It is possible that GST revenues of millions of dollars a year are being lost while international retailers are being non-compliant.

Nick Earls

Author

The rise of the internet and internet retailers has been a major change in recent years. Many booksellers have seen significant sections of their business lost to internet retailers such as Amazon who are able to supply customers exclusive of GST.

Mark Rubbo

Readings Books
Melbourne

David Gaunt

Gleebooks
Sydney



AUSTRALIAN BOOKSELLERS ASSOCIATION

The reality is that as more and more Australian readers shop online rather than in bricks-and-mortar stores - due to the uncompetitive nature of the latter - fewer and fewer of these customers encounter Australian writing. Online booksellers - such as Amazon - do not abide by Australian copyright restrictions or taxation regulations.

Steve Jones

Manager

Kinokunya Books Sydney

I continue to believe that an equally high priority issue that the ABA should be focusing its time on is to get a ruling from the ATO requiring Amazon to collect and charge Australian GST for sales made to Australian customers. This would create a level playing field for Australian booksellers with an online presence, whereas currently the playing field is not equal. The lower Australian dollar is helping this at the moment, but I do not think it will be sustainable as it rises.

Jacob Miceli

Managing Director

Languages Direct Group Pty Ltd