

Clarifying tax laws at CBCA conference

In the lead-up to implementation of The New Tax System customs brokers are unravelling the impact GST will have on their businesses. They have also raised concerns regarding legislation relating to the effect of GST liability on international transport and inward freight. At the Customs Brokers Council of Australia conference in Coolum in October Customs Deputy Chief Executive Officer, John Drury, cleared up some of those concerns. The following article is based on excerpts from that talk.

At the end of September, the Government introduced changes to the wording of the new tax laws to make it clear how the inland legs of international transport will be treated for GST.

International transport exempted from the tax will now include the journey to the 'place of consignment' in Australia, and not just the point of entry or exit, as written in the law passed in July.

If the goods are travelling on a through bill of lading from source to inland point in Australia, then the freight will be exempt. If the goods are travelling under several invoices, the Australian onward land carrier will have to charge GST to the shipping line or the consignee. However, the shipping line or consignee will be able to claim this back later.

This amendment to the law should now ease many of the immediate concerns, particularly of freight forwarders, over the wording of the Act.

However this is not the end of the GST story in shipping and transport: inward freight will effectively be taxed.

Although the supply of transport will be GST-free, the amount paid for that transport will be included in the value of the taxable importation. This means that GST will be paid on the total cost of landing the goods in Australia.

The Act considers that the shipping of goods to Australia is part of the value which is added to them. As a result, Australian importers will still be taxed on the shipping – even when the shipping and insurance cost are actually paid by the overseas shipper under current cost, insurance, freight (CIF) terms of trade.

The principle is that all costs associated with the sale of goods will be taxable.

For example, if you go into a retailer and buy some Australian made goods the price will include all transport

cost and you will be charged GST in that price. The same principle should apply to imported goods.

If the Government could apply the GST to all transport suppliers it would. But it has no jurisdiction over overseas suppliers and does not wish to discriminate against Australian providers of transport by taxing them only. So it is comfortable making the supply of all international transport GST-free and picking it up when the goods are imported and where it has the ability to tax all importers.

Payment of GST on imports

The Act provides that GST is payable at the same time as customs duty or within such further time specified in the regulations. The regulations will be made after industry has had the opportunity to comment on the deferral model prepared by Customs and the ATO.

The GST deferral scheme will cover those imported goods entered for home consumption at the time of goods importation (Nature 10 entries).

Importers who meet specified criteria will be required to apply to the Australian Taxation Office. They must:

- be registered for GST;
- lodge business activity statements to the ATO monthly;
- deal with the ATO and Customs electronically; and
- have a good compliance record (no outstanding debt to the ATO).

The deferral scheme being introduced on 1 July 2000 is limited to GST. Customs will consider duty deferral after tax reforms are bedded in.