



Mr Ken O'Dowd MP, Chair
Senator Murray Watt, Deputy Chair
Joint Standing Committee on Trade and Investment Growth
PO Box 6021
Parliament House
CANBERRA ACT 2600

12 October 2017

Dear Mr O'Dowd and Senator Watt,

Re: The Trade System and the Digital Economy

Thank you for the invitation to submit eBay's views on the responsiveness of Australia's trade architecture and regulatory system to the contemporary need of the digital economy and disruptive technology.

The inquiry is timely, given the proposed introduction in July 2018 of laws which will affect Australian consumer choice, consumer protection, and the ability of small businesses and entrepreneurs to import and export using the eBay platform.

Attached is a paper commissioned by three third-party online marketplaces: eBay, Alibaba Group and Etsy. It examines the efficiency, fairness and effects of collection models aimed at imposing GST on low value purchases made by Australians shopping online from foreign sellers.

The paper by the Aegis Consulting Group was compiled by Mr Vishal Beri and the Hon. Dr Peter Hendy. It notes that the model chosen by the Australian government does not comply with the principles of regulatory efficiency and may be regarded as a non-tariff barrier to trade, contrary to the *General Agreement on Tariffs and Trade 1994*. Also attached is a paper eBay commissioned Deloitte Access Economics to undertake regarding platforms, small business and the agile economy in Australia.

Australia is taking a novel approach to a global trade issue. It has legislated ahead of any other country with a model even its supporters concede will not collect much revenue. It will do more harm than good.

The *Treasury Laws Amendment (GST Low Value Goods) Bill 2017* is poised to shackle the potential of online trade as a gateway to exports and higher productivity for Australian businesses, entrepreneurs and consumers. The legislation represents a success for narrow interests within the Australian business community motivated by the need to prop up ageing and uncompetitive business models.

The few supporters of the legislation have candidly expressed their desire to handicap online trade to compensate for the perceived disadvantages faced by bricks and mortar retailers. When asked by the Productivity Commission about the very high collection costs of the legislated model, the Australian Retailers Association revealed it was willing to support a



regime that cost as much as it raised. Taxing Australian consumers online was not designed to fund infrastructure and services, but as a punitive non-tariff barrier to prevent Australians shopping overseas.

The Australian Retailers Association supported *all* proposed models of collection, to be introduced immediately, in parallel:

ARA: *"our members want as much collected as soon as possible"*

Commissioner: *"You made the point, I think twice, that it should collect as much revenue as practical. I want to ask what do you mean by "practical"? When does practical no longer be practical?"*

ARA: *"Well, I guess if the cost of it becomes greater than the collection, that's where you've got to really start questioning it, for a start off."¹*

Supporters of this legislation believe it is acceptable for Australian consumers to spend millions of dollars that would be entirely soaked up by the cost of collecting it. The sole aim is to hobble a competitor delivering demonstrably greater choice and value to consumers and with enormous potential to grow jobs and economies, particularly in regional areas.

There is no guarantee that "taxes" levied on Australians by overseas businesses will ever be voluntarily returned to Australian governments, but supporters of the model are unconcerned by issues of consumer value, efficiency or free trade.

If it so chooses, Australia can fail to harness the potential of online trade and disruptive technologies, but it cannot legislate them away. Australians will continue buying online, but will do so without the consumer protections of buying via trusted third-party marketplaces.

eBay recommends Australia withdraws the *Treasury Laws Amendment (GST Low Value Goods) Bill 2017* before its implementation date, and instead aligns its approach with the OECD. Taxing low value goods purchased in other jurisdictions is complex and requires a global solution. The unique model adopted by Australia will have unintended consequences that will be bad for consumers, businesses and Australian jobs.

Thank you for the opportunity to comment on Australia's trade system, its approach to the digital economy and disruptive technology.

Yours sincerely

Ms Kristen Foster
Director Government Relations
eBay Australia, New Zealand, Japan & South East Asia

¹ http://www.pc.gov.au/data/assets/pdf_file/0003/221277/all-collection-models-transcripts.pdf