

TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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194 | Low Value Imported Goods

Low value imported goods used to be exempt from GST. Not any more.

Low Value Imported Goods

Until 1 July 2018 low value imported goods were free from customs duty and GST. And nothing has changed for customs duty in that respect.

But the GST treatment of these low value imported goods changed as of 1 July 2018. In this episode Simon Dorevitch of A & A Tax Legal Consulting in Melbourne will tell you how this changed and what this means for you.

Here is what we learned but please listen in as Simon Dorevitch explains all this much better than we ever could.

To listen while you drive, walk or work, just access the episode through a free podcast app on your mobile phone.

Before 1 July 2018

Before the 1 July 2018 any item under A\$1,000 didn't count as a taxable importation. And it also – and this is important – didn't count as a taxable supply.

No taxable importation and no taxable supply meant no GST. This automatically made overseas suppliers of low value goods 10% cheaper than suppliers based in Australia.

From 1 July 2018

A supply of low value goods can now have a connection with Australia. This is important. Before, an import never had a connection with Australia and hence could never be a taxable supply. But now it can.

If an import has a connection with Australia – thanks to the new rules – and also meets the other conditions of a taxable supply, then the supply is now a taxable supply and subject to GST.

So the rules for a taxable importation haven't changed. Instead the rules around connectedness with Australia have changed. Making it possible that low value good imports can now have a connection with Australia.

There are just two exceptions to this new rule – electronic distribution platforms and redeliver rules. But let's ignore those for now. We will cover the EDP rules in episode 197.

Taxable Supply

The import of a low value good is a taxable supply under the new Low Value Goods Import rules if it meets the following 6 conditions.

1 The Goods are Low Value Goods

The goods are low value goods if they have a customs value of below A\$1,000 and are not part of a consignment worth A\$1,000 or more.

If the goods or the consignment exceed this threshold, then the established rules for taxable importations apply and the importer faces GST, customs duty and clearance charges at the border, just as they always have.

2 Sold to a Consumer

A consumer acquires the goods. A consumer is anybody or any entity who is not an Australian GST- registered business making the purchase for business use.

If an Australian GST-registered business acquires the goods for business use, then no GST applies, just as before.

3 Supplier Brings Goods to Australia

The goods are brought to Australia with the assistance of the supplier. So the supplier procures, arranges or facilitates delivery and makes the goods available for collection.

4 Supplier is Registered or Required to Be Registered for GST

The new rules about low value imported goods only apply to overseas suppliers registered or required to register for GST in Australia.

The overseas supplier must register for GST in Australia if they carry on an enterprise and their GST turnover from sales connected with Australia and made in the course of their enterprise, is A\$75,000 or more (or A\$150,000, if a non-profit body).

5 Goods are Neither GST-Free nor Input-Taxed

If goods would have been GST-free or input-taxed if supplied within Australia, then there is no taxable supply.

6 Goods are Neither Tobacco nor Alcoholic Beverages

The low value good rules do not apply to tobacco products and alcoholic beverages.

If a supply meets these 6 conditions, it is a taxable supply under the new rules for low value good imports.

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