

Australia: Goods and Services Tax (GST) on B2C Imported Services and Digital Products

Introduction

From 1 July 2017, Australia imposed a 10% Goods and Services Tax (GST) on the sale of services and digital products supplied by overseas businesses to Australian consumers.

This was designed to restore a level playing field for domestic suppliers. It extended supplies subject to GST to include not only imported digital services and products such as e-books and movie streaming, but also intangible supplies, including legal and accounting services.

Impact on businesses selling into Australia

The change in law requires overseas suppliers that sell services or digital products (or electronic distribution platform operators who facilitate these sales), and have an Australian GST turnover of AUD 75,000 or more, to charge GST on sales to consumers in Australia.

An overseas supplier's Australian GST turnover is all turnover that is connected with Australia (unless the services or products are GST-free under Australian law), including sales into Australia of:

- services and digital products from 1 July 2017; and,
- low value goods of AUD 1,000 or less from 1 July 2018.

Businesses that meet the AUD 75,000 threshold need to:

- register for GST (a simplified GST registration system is available to overseas suppliers);
- charge GST on sales of imported services and digital products; and,
- remit the GST to the Australian Taxation Office (ATO) by lodging returns.

Consequences of non-compliance

Businesses that have not yet complied with their GST obligations a year after the introduction of the law could now be issued an administrative penalty of up to 75% of the unpaid tax. This is in addition to other punitive consequences including backdated interest charges.

What businesses need to be doing now

Businesses impacted by the change in law and yet to take action need to consider the following:

- Registering for either the simplified or the standard GST system.
- Reviewing pricing to take into account the charging of GST.
- Communicating to customers that GST is chargeable on relevant supplies.
- Updating terms and conditions and website information to allow for the charging of GST.
- Ensuring that billing and accounting systems can incorporate the GST element of a sale.