

## GST and cross-border transport services

Revised exposure draft legislation was released by Treasury on 29 March 2010 which concerns changes to the GST law regarding the domestic transport of imported and exported goods.

Businesses involved in the Australian leg of international transport should consider the potential impact of these changes.

The proposed changes will amend the GST Act so that:

- the transport of goods by subcontractors within Australia that forms part of the international transport of those goods by another entity from Australia is taxable. However, the supplies are goods and services tax (GST)-free where they are made to a nonresident that is not in Australia
- the transport of goods by subcontractors within Australia that forms part of the international transport of those goods by another entity to Australia is taxable. However, the supplies are GST-free where they are made to a nonresident that is not in Australia
- the liability to pay GST on the domestic transport of imported goods is shifted from transport suppliers to the importer of the goods. This is achieved by adding the cost of domestic transport to the 'value of the taxable importation' used to calculate the GST liability on importation, whilst removing the GST liability on the supply of domestic transport services made to, and also services provided by, a nonresident that is not in Australia. This reduces compliance costs for domestic transporters and affected nonresident transporters
- the scope of GST-free international transport supplies is extended to:
  - » for exports, the last point of collection, prior to containerisation, for the supplier that transports the goods from Australia
  - » for imports, the place of delivery of goods, as determined under the primary agreement that brings the goods to Australia, for the supplier that transports the goods to Australia, and
- loading, handling and other services that facilitate the international transport of goods are also GST-free in similar circumstances to the supply of international transport and are added to the value of the taxable importation.



The following table compares the key features of the proposed changes with the current GST law, as it stands today:

New Law	Current Law
<p><b>GST treatment of the domestic transport supply leg of an importation</b></p> <p>The transport of goods by the supplier that brings the goods to Australia is a GST-free supply to the place that the supplier delivers the goods in Australia under the primary agreement.</p> <p>The transport of goods by transport subcontractors within Australia that forms part of the international transport of goods by another entity to Australia is taxable, unless made to a non-resident that is not in Australia.</p> <p>The value of the international transport supply to the place of delivery in Australia, as determined under the primary agreement that brings the goods to Australia, is included in the value of the taxable importation for the purposes of working out the GST on the taxable importations of the goods.</p>	<p><b>GST treatment of the domestic transport supply leg of an importation</b></p> <p>The transport of goods by the supplier that brings the goods to Australia (excluding loading and handling that forms part of that transport) is GSTfree up to the port or airport for non-postal goods and to the place the goods are addressed for postal goods. For non-postal goods, the part of the supply within Australia beyond the port or airport by that supplier is taxable even when supplied by a nonresident transporter.</p> <p>The transport of goods made by transport subcontractors within Australia that forms part of the transport of goods by another entity to Australia is taxable (irrespective of whether supplies are made to a nonresident that is not in Australia).</p> <p>The value of the international transport supply to the port or airport in Australia is included in the calculation of the value of taxable importations.</p>
<p><b>GST treatment of the domestic transport supply leg of an export</b></p> <p>The transport of containerised goods out of Australia by the prime transport supplier is GSTfree from the last place the goods are collected prior to containerisation until the place of delivery overseas.</p> <p>The transport of goods made by transport subcontractors within Australia that forms part of the international transport of those goods by another entity from Australia is taxable. However, the supplies are GST-free from the last point of collection prior to containerisation where they are made to a non-resident that is not in Australia.</p>	<p><b>GST treatment of the domestic transport supply leg of an export</b></p> <p>For the prime transport provider, the international and domestic transport legs of an export transport service from the place of containerisation of the goods is GST-free where it undertakes both legs of transport (item 5 of section 38-355 0of the GST Act).</p> <p>In contrast, that part of the transport service from the address of the exporter to the point where the goods are containerised is taxable, except in specific circumstances in which case that part is GST- free under item 3 in the table in subsection 38-190(1) of the GST Act.</p>
<p><b>'Place of consignment' of goods</b></p> <p>The place of consignment for nonpostal goods is the place in Australia to which the goods are delivered as determined under the primary agreement for the transport of the goods to Australia.</p>	<p><b>'Place of consignment' of goods</b></p> <p>The place of consignment for postal goods is the place in Australia to which the goods are addressed. For nonpostal items, the place of consignment is the port or airport of final destination.</p>
<p><b>Loading, handling and other services</b></p> <p>Loading, handling and other services that facilitate the international transport of goods are GST-free when supplied to a non-resident not in Australia or by the primary contractor that takes the goods to or from Australia.</p>	<p><b>Loading, handling and other services</b></p> <p>Loading, handling and other services that facilitate the international transport of goods from Australia are taxable.</p>



Please contact us for more information or advice on how the proposed changes may affect your business.

### Who to contact

Judith Choate

- t +61 8 8205 3426
- f +61 8 8205 3300
- e [jchoate@piperalderman.com.au](mailto:jchoate@piperalderman.com.au)

Robert Kavanagh

- t +61 8 8205 3392
- f +61 8 8205 3300
- e [rkavanagh@piperalderman.com.au](mailto:rkavanagh@piperalderman.com.au)