
From: s9(2)(a) s9(2)(a)
Sent: Friday, 29 June 2018 16:48
To: Policy Webmaster
Cc: s9(2)(a)
Subject: Trade Me Submission on GST on low-value imported goods
Attachments: 20180629 Trade Me Submission on GST on low value imported goods.pdf; 20180629 Trade Me Submission on GST on low value imported goods.docx

Please find attached the Trade Me Submission on GST on low-value imported goods.

We have included a submission on:

- the “Government Discussion Document” titled “GST on low-value imported goods: An offshore supplier registration system; and
- IRD’s “Additional Memo” on the GST on low-value imported goods proposals re “Scope of the marketplace rules, double taxation issues and valuation methods for determining whether goods are above or below the proposed \$400 threshold”.

In terms of the **Memorandum: Options for marketplace rules**, we haven't had a chance to fully digest this having only received it yesterday, however at face value it appears some aspects of the "recognised marketplace" are similar to the "approved marketplace" that we reference in our attached submission. The lack of time means we haven't commented on this memorandum but suggest we organise a meeting where we can discuss our feedback face to face.

If you give us a few days we should also then have time to give you an update on the further request for information: **NZ IRD questionnaire for marketplaces - GST on LVIGs**, we are looking at how we can get this information to you in a way that protects commercial sensitivity.

We look forward to hearing from you.

Attachments include: A PDF & Word version of the same document so any notated commercially sensitive information can be removed before publishing.

Kind regards

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s9(2)(a)

Commercial Manager | Trade Me



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29 June 2018

GST on low-value imported goods
C/- Deputy Commissioner Policy and Strategy
Inland Revenue Department
PO Box 2198
Wellington 6140

Emailed to policy.webmaster@ird.govt.nz

Trade Me Submission on GST on low-value imported goods

Thank you for the opportunity to submit on:

- the “Government Discussion Document” titled “GST on low-value imported goods: An offshore supplier registration system”; and
- IRD’s “Additional Memo” on the GST on low-value imported goods proposals re “Scope of the marketplace rules, double taxation issues and valuation methods for determining whether goods are above or below the proposed \$400 threshold”.

Our key messages

Trade Me supports:

- A fair regime for the collection of GST on low value imported goods.
- Further consideration of an extended status quo model of collection.
- In the event a supplier registration model is adopted, New Zealand taking a slightly different approach to Australia by adjusting some key settings to ensure a more workable regime. In particular, we support:
 - The electronic marketplace (“EMP”) definition not applying to onshore marketplaces.
 - Special provisions for ‘approved marketplaces’ that are offshore.
 - The Commissioner having a discretion to allow partial compliance of offshore suppliers and marketplaces.
 - A more simplified regime, with fewer exceptions, to reduce compliance costs for offshore suppliers and marketplaces and address double taxation risks.

We believe these changes will help to reduce offshore supplier and EMP compliance costs. This is important as otherwise there is a material risk that suppliers and EMPs will cease supplying services to New Zealand residents, and consumers will be adversely affected.

We have set out separately below our submissions in respect of the key issues discussed in the Government Discussion Paper and Additional Memo. When developing our submission, we have adopted the following principles. Over the past 19 years of operating online, we’ve found that laws work best when they are:

- straightforward and easy for consumers to understand and apply;

- practical for businesses and traders to operationalise and enforce with clear definitions;
- implemented in a pragmatic way;
- consistent online and offline; and
- sufficiently technology neutral to withstand the test of time.

Our recommendations in respect of the Government Discussion Paper

Issue/Proposal	Our submission
Scope of the rules	
<p>GST is not currently collected on low value GST goods</p>	<p>We think it's important that businesses supplying goods to New Zealand pay their fair share of tax and we support the development of a fair regime to collect GST on low value imported goods. It is an anomaly that GST is not levied on these goods and this creates a distortion between retail purchases from New Zealand based retailers and from international online retailers. We understand the competing interests here because we have both domestic and international sellers trading on our platform.</p>
<p>Options for collecting GST on low-value goods</p> <p>Various options have apparently been considered, including at the point of sale ("offshore supplier registration"), between the point of sale and delivery and after delivery of the goods.</p>	<p>If a supplier collection model is introduced, there is a material risk that a large number of offshore suppliers will:</p> <ul style="list-style-type: none"> • stop supplying to the New Zealand market in order to avoid additional New Zealand compliance obligations. We consider this to be a more acute risk than faced in the larger Australian market. However, even in the larger Australian market some sites have already announced they will cease supply when the new regime commences on 1 July; or • not comply with an offshore supplier registration model, and it will be problematic for IRD to enforce against extra-territorial non-complying suppliers. Again, despite Australia being a larger market, the Australian Tax Office is expecting a fairly high level of non-compliance. <p>We consider it will also be confusing for consumers and merchants to have one collection regime for low value supplies and a different collection method for high value goods.</p> <p>Accordingly, we support further consideration of an extended status quo model (i.e. where courier companies and NZ Post collect GST, tariffs and cost recovery charges).</p> <p>We understand that an extended status quo collection method was ruled out partly due to the policy decision in Australia and the operational costs that would be incurred by carriers. However, there is limited information available on how the unique features of the New Zealand market have been considered. For example, was there an analysis of the operational costs offshore suppliers and marketplaces would be likely to incur complying with an offshore supplier registration system and whether these are likely to be disproportionate to the benefits such suppliers and marketplaces receive from supplying to the comparatively small New Zealand market?</p> <p>In our view, if the collection obligations are placed on entities with a local presence (such as a carrier or card scheme), then conscientious offshore suppliers and marketplaces who want to</p>

Issue/Proposal	Our submission
	<p>promote their services to New Zealand customers will streamline their sites and products to recognise that GST will be collected (e.g. in their pricing guides), but would not be at a disadvantage to less conscientious suppliers and marketplaces (who would not otherwise collect and account for GST).</p> <p>If the obligation is not placed on organisations with a local presence, a significant portion of GST collected from complying entities would need to be spent on enforcement and compliance. Alternatively, in the absence of an appropriate enforcement regime the lack of compliance could create genuine market distortions and questions around the regime's overall utility.</p> <p>As it is difficult for submitters to consider this aspect based on the information available in the Government Discussion Paper, we support further investigation of an extended status quo model. In the event an offshore supplier model is adopted at this stage, we recommend this policy decision is reviewed within 2-3 years of implementation to ensure that it is not having adverse consumer consequences.</p>
<p>Offshore suppliers will be required to register, collect and return GST</p>	<p>To be effective, an offshore supplier registration system will need to be very simple for offshore suppliers and marketplaces to implement.</p>
<p>Offshore suppliers will be required to charge GST unless the recipient identifies themselves as a GST-registered business or provides their GST registration number or NZBN. Goods supplied to GST registered businesses would be excluded, unless the offshore supplier has decided to zero-rate the supply.</p>	<p>Offshore suppliers are unlikely to know which of their customers are businesses that have registered for GST and/or have systems for keeping information such as an NZBN in their systems. It will increase compliance costs if offshore suppliers have to make system changes to capture the GST status of NZ customers. The offshore supplier requirements should be as simple as possible to incentivise compliance and reduce the number of suppliers that cease shipping to New Zealand.</p> <p>We support the offshore supplier being able to charge GST on all purchases (whether supplied for business or other purposes). A New Zealand based registered business can claim back any GST collected by an offshore supplier.</p> <p>We discuss other steps to reduce compliance complexities for marketplaces in our submission on the Additional Memo.</p>
<p>A reverse charge (that is, when the recipient of the goods accounts for the GST) would apply to GST-registered recipients that use goods for non-taxable purposes (such as private purposes).</p>	<p>As noted above, we believe GST should be charged by the supplier on all purchases (whether for business or other purposes).</p>
<p>Registration requirements and return filing</p>	
<p>Offshore suppliers would be required to register if their total supply of goods and services to New Zealand exceeds \$60,000 a year (the registration threshold)</p>	<p>In an international online shopping environment it can be difficult to forecast taxable supplies. We envisage the current threshold will create compliance uncertainty for suppliers who are growing a presence in the New Zealand market and who are anxious to avoid accidentally non-complying.</p> <p>The current drafting of the threshold in the GST legislation requires a business to consider whether their suppliers were</p>

Issue/Proposal	Our submission
	<p>\$60,000 or more in the last 12 months, or will be \$60,000 or more in the next 12 months. As it will be difficult for new suppliers to assess what they expect to sell into New Zealand on entrance, we are concerned that having to forecast taxable supplies makes the requirements too onerous, and that this will put suppliers off entering the New Zealand market.</p> <p>We believe offshore suppliers should be able to assess quarterly whether the threshold has been met and assessment should be assessed on a historical basis, to align with the suggested report period.</p>
<p>Offshore marketplaces and re-deliverers would be required to register and return GST if they meet the registration threshold.</p>	<p>As discussed further below, the definition of marketplace will be very important and we believe the current definition will not operate as intended.</p> <p>We have assumed, consistent with the current EMP drafting, that onshore marketplaces that facilitate the supply of offshore purchases will not be captured by the regime. We support this.</p> <p>However, to further incentivise compliance, we believe the regime should require onshore marketplaces to provide information on the offshore suppliers that use their platforms and the regime should clarify that offshore suppliers that use onshore marketplaces are required to account for GST.</p> <p>We also support the concept of an 'approved marketplace' for offshore marketplaces, with suppliers on an approved marketplace being separately required to account for GST. We discuss this in more detail below in our submission on the Additional Memo.</p>
<p>A simplified "pay only" registration system is proposed to minimise compliance costs for offshore suppliers.</p>	<p>We agree that a simplified system is appropriate.</p>
<p>Quarterly GST filing is proposed for offshore suppliers of low-value goods.</p>	<p>This seems appropriate.</p>
<p>Enforcement, compliance and penalties</p>	
<p>New Zealand can ask a foreign tax authority to use its enforcement powers to help collect the GST on New Zealand's behalf under its international agreements with a number of our major trading partners.</p>	<p>We agree that this will assist compliance, but only if the obligations on suppliers and marketplaces are simple and clear. If there is a dispute as to a supplier's or marketplace's New Zealand GST obligations and liability, then an international "Assistance in Collection" arrangement is unlikely to provide assistance in resolving this dispute.</p> <p>We are concerned that the obligations on offshore suppliers and marketplaces will not be sufficiently clear and will be difficult to enforce.</p>
<p>The existing penalties and use-of-money interest rules would apply to offshore suppliers as they do to domestic suppliers.</p>	<p>We support this in principle, but this reinforces the need for the regime to be as simple as possible. Companies will not enter, or continue to supply to, markets where the compliance requirements are uncertain. Offshore suppliers and marketplaces</p>

Issue/Proposal	Our submission
	<p>will be concerned about inadvertent non-compliance which may incur potentially large penalties.</p> <p>If the regime is not clear and penalties may apply, this will result in suppliers and marketplaces with a more conservative risk appetite choosing not to supply the New Zealand market.</p>
In addition, existing penalties would apply to consumers that falsely represent themselves as a business to avoid GST.	We do not believe this provision will be necessary if offshore suppliers charge businesses GST.
For the worst offenders, the rules would provide Inland Revenue with discretion to require a consumer to register and pay the GST that should have been returned.	We do not believe this provision will be necessary if offshore suppliers charge businesses GST.
Further measures to bolster compliance will be explored, for example, possible joint registration systems with other countries and data matching programmes.	We have made a number of recommendations below in relation to 'approved marketplaces' that we believe would also help to bolster compliance.
Maintaining effective border-risk management	
Changes to GST need to take into account border implications.	We agree.
Importers will still be required to provide information to Customs and the Ministry for Primary Industries to support effective risk and biosecurity assessment on low-value imported goods.	We agree. Plus, to further incentivise compliance we would support Customs and IRD looking at a trusted trader or similar status for offshore suppliers and marketplaces that collect GST. For example, if at the border there was preferential processing of packages from suppliers and EMPs that had collected GST (as opposed to suppliers that hadn't) then this would encourage suppliers to comply.
Application date	
Legislative changes would take effect from 1 October 2019	We believe a transitional period of at least 12 months will be required. Our experience in working through the changes needed to our site to comply with the new Australian model is that it is operationally challenging. For example, historically we had not collected records regarding whether sellers are separately GST registered, and we also now need to implement different product approaches for low value and high value goods.

Our submission on the Additional Memo

Issue/Proposal	Our submission
Issue One: Scope of Proposed EMP rules	
The current definitions of electronic marketplaces in section 60C of the Goods and Services Act, means that the requirements	We agree that this is a sensible policy. There are a number of benefits (including to consumers in terms of consumer protection laws) from onshore marketplaces that facilitate the supply of goods. Onshore markets also facilitate the supply of international and domestic goods, which will make compliance more problematic.

<p>only apply to marketplaces operated by non-resident persons.</p>	<p>However, as noted above, we recommend that a new provision be included that requires any such onshore marketplaces to provide information about each offshore supplier's aggregated supplies to New Zealand to the IRD. This would better enable the IRD to enforce the GST requirements against suppliers who supply over \$60,000 per year.</p>
<p>Main policy justifications for treating the EMP operator as the supplier for low value goods for GST purposes:</p> <ul style="list-style-type: none"> • <i>Minimisation of compliance costs</i> • <i>Higher rates of compliance</i> <p>There is a spectrum of EMPs, some more akin to classified advertisements, to those that sell their own goods and have a great amount of control over third-party sales. There will be a point along this spectrum where the costs of compliance to the EMP operator are disproportionate to the revenue collected or to the compliance cost savings to underlying vendors trading through its platform.</p> <p>The EMP is deemed to be the supplier unless all of the following conditions are met:</p> <ul style="list-style-type: none"> • the documentation provided to the recipient identifies the supply as made by the underlying supplier and not the marketplace; • the underlying supplier and the operator of the marketplace have agreed that the supplier is liable for the payment of the GST; and • the marketplace does not authorise either the charge or the delivery to the recipient, nor set the terms and conditions under which the supply is made. 	<p>We agree that there is a spectrum of online marketplace types, with differing levels of involvement in the sale of goods and services.</p> <p>Most marketplaces set some terms and conditions for the transaction in order to create a safe and trusted marketplace. As a result, we believe, the scope of the regime is potentially broader than perceived.</p> <p>If the definition is not carefully set, New Zealand risks creating a new set of distortions in the market. For example, consider the structure of a traditional taxi co-operative in New Zealand against the structure of the Uber ride-sharing service. Uber has structured their operations in such a manner that each driver who operates via the platform separately contracts with the customer. As a result, the applicable GST threshold is considered for each driver, and not for Uber at an organisational level. The outcome of this is that there is a significant portion of ride-sharing activity (and associated transactions) on which GST is not being collected.</p> <p>We believe that if any definition of "marketplace" is not sufficiently thoughtful and well-constructed, this could result in a shift in the manner in which online shopping and services are structured. For example, if social media platforms are not captured by the definition but bespoke marketplaces are, this would provide a social media platform with a 15% competitive advantage on price, which would distort activity across different business models.</p> <p>In addition, we are concerned that by creating a GST collection environment which gives a 15% benefit to less structured platforms, this may reduce the level of protection afforded to New Zealand consumers.</p> <p>For example, if we considered the EMP definition in respect of a marketplace with operations similar to Trade Me:</p> <ul style="list-style-type: none"> • <i>ensure that the documentation identifies the supplier as making the supply:</i> Trade Me already does this, and requires the supplier to comply with product safety, intellectual property and other legal obligations. • <i>ensure that the supplier is liable for the payment of GST:</i> Trade Me already requires that all auctions must include GST and all tax obligations are the responsibility of the seller and/or the buyer (as the parties determine). The "or the buyer" phrase is particularly applicable for high value imported goods. • <i>change its terms such that the marketplace does not authorise the charge or the deliver to the recipient, nor set the terms and conditions under which the supply is made:</i> Trade Me already does not authorise the charge or the delivery. We often do not even see the charge. For example, Australian based sellers listing on our site can register an NZ bank account and we allow them to receive payment into that bank account, with them arranging and

authorising delivery once they've confirmed payment is received.

As a result, the only thing that a marketplace structured in a similar manner to Trade Me would need to do to avoid being the deemed supplier would be to change its terms and conditions such that the marketplace doesn't set any of the terms and conditions under which the supply is made. We think this creates adverse consequences.

Currently, almost all marketplaces set some general terms and conditions that apply to sellers using their marketplaces, and the supplier sets the specific terms relating to a trade (e.g. shipping timeframe, returns policies etc). As a result there is a hybrid arrangement. However, the terms that Trade Me sets are focused on ensuring trust and safety, and ensuring appropriate consumer protections apply in our New Zealand environment – i.e. terms to ensure that members have trust in our site and products sold on our site are safe. We think it would not be desirable for marketplaces to be incentivised not to set such terms in order to avoid GST liability.

We agree there is a spectrum of marketplaces. We have compared on the following page ASOS, Amazon, eBay, Trade Me and Facebook.

If the policy settings favour using online marketplaces or suppliers to collect GST, we support either:

- all marketplace platforms, including social media being captured by the relevant definitions (i.e. all the examples above); or
- only those marketplace platforms that behave like a supplier (i.e. in the table below ASOS and Amazon being captured).

From a practical perspective, we acknowledge that if a particularly broad definition is used then it will be harder for some social media platforms to comply with the requirements. This is why we support (see below) the Commissioner having a discretion to allow aspects of non-compliance where marketplaces have a compelling case not to comply with the requirements.

Accordingly, we recommend a broader definition of EMP with and an ability for EMPs to be able to apply to the Commissioner to gain exemption from certain requirements.

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High involvement throughout purchase

Low involvement throughout purchase



Marketplace	Description	Authorises the charge to the customer	Authorises the delivery of goods to the customer	Sets T&C's for the transaction
Asos	ASOS is a global fashion marketplace for 20-somethings. They sell branded and self-brand products online, delivering from fulfilment centres in the UK, US, Europe and China to almost every country in the world.	Yes	Yes	Yes
Amazon	Amazon is an online marketplace that enables third-party sellers to sell products on a fixed-price online marketplace alongside Amazon's regular offerings to customers all over the world. Under the Fulfillment by Amazon service, Amazon handles shipping and customer service for certain products.	Yes	Yes - with fulfilled by Amazon	Yes
eBay	eBay is an online marketplace for buyers and sellers to purchase and sell goods and services. Buyers can purchase directly from the platform using PayPal or other payment options and receive the goods direct from the supplier.	Yes - If through PayPal	No	Yes
TradeMe	TradeMe is an online marketplace for buyers and sellers to buy and sell goods and services. Buyers can purchase directly from the platform using Ping or other payment options and receive the goods direct from the supplier.	Yes - If through Ping	No	Yes
Facebook	Facebook is an online marketplace that allows users to buy and sell goods / services to other people in their area. Delivery and payment is organised directly between the buyer and seller.	No	No	Yes

Issue/Proposal	Our submission
<p>Include a provision allowing the Commissioner of Inland Revenue to exercise a discretion where marketplaces have a compelling case not to comply with the requirements.</p>	<p>We support this and support the ability for the Commissioner to exercise that discretion in relation to all or any part of the marketplace or supplier's operations. We would support the Commissioner being able to issue class exemptions, to reduce administrative load. In practice, similar compliance issues are likely to arise in respect of multiple marketplaces and suppliers.</p> <p>s9(2)(b)(ii)</p> <p>[REDACTED]</p> <p>In terms of the spectrum of marketplaces, we think it would be unusual for the Commissioner to exempt marketplaces that behave like suppliers and have a high level of involvement throughout the purchase and goods delivery process (like ASOS and Amazon). Exemptions would be more common for marketplaces which usually have low to medium involvement in a customer's purchase (like ebay and Facebook).</p> <p>Approved marketplace construct</p> <p>In addition, we recommend that an approved marketplace regime be included in the Act, such that following successful application</p>

Issue/Proposal	Our submission
	<p>to the Commissioner, approved marketplaces are not required to account for GST but their sellers are required to account for GST.</p> <p>To be approved, we believe an approved marketplace should:</p> <ol style="list-style-type: none"> 1. Provide appropriate consumer protection to New Zealand residents: Approved marketplaces should commit to New Zealand residents that sales over their platform will meet New Zealand consumer protection or equivalent standards e.g. their sellers should agree that CGA and FTA type requirements apply. In exercising his or her discretion, the Commissioner should ensure that the marketplace can enforce this against sellers. 2. Improved reporting and monitoring on international seller supplies. Approved marketplaces should: <ul style="list-style-type: none"> • Commit to collecting and providing information on aggregate seller trades, through the marketplace, to the IRD in respect of the GST regime, and be able to provide information to the Commerce Commission and other regulatory bodies in respect of consumer protection. • Ensure sellers agree to terms and conditions such that the approved marketplace is authorised to communicate with IRD about each seller (e.g. about each seller's aggregate trades). 3. Not provide services to sellers that the marketplace knows is in breach of the GST regime. The approved marketplace should commit to not providing services to sellers who have not registered for GST and which the IRD have confirmed should be registered. <p>We also considered, whether approved marketplaces should collect and remit GST for an individual seller whose trades on the approved marketplace exceed the threshold in a given year. However, we do not think this is workable. For example, for a marketplace similar to Trade Me this would involve building new and dynamic code and the marketplace may not know if the seller is separately registered and already collecting GST or what they are selling direct or through other marketplaces. We consider the implementation of this requirement is also likely to be disproportionate in many cases. s9(2)(b)(ii)</p> <p>[REDACTED]</p>
Determining the scope of the deemed supplier approach – other considerations	
<p>The Additional Memo highlights that there are additional scope questions, such as the treatment of domestic goods supplied sold through an offshore platform.</p>	<p>Our initial view is that option one is preferable. It is unfortunate that this option creates additional compliance costs for New Zealand based vendors using offshore platforms, but this is much simpler to administer and educate New Zealand businesses. It will be difficult to structure option two in a manner which covers</p>

Issue/Proposal	Our submission
	all nature of marketplaces, plus marketplaces will have limited resources to build complex solutions.
Option one: Deem the EMP operator to be the supplier regardless of residency or location of the vendor.	IRD will need to educate businesses of the implications of this option.
Option two: Deem the EMP operator to be the supplier only if the vendor is based outside New Zealand.	We agree that this creates complexity for the EMP (e.g. the operator would need to know whether the vendor is a resident and whether the goods are in New Zealand at the time of supply).
Possible addition to options one or two – carve out EMPs through which predominantly domestic supplies are made	This may warrant further consideration.
Issue Two: Double Taxation	
<p>There is a risk of double taxation in respect of:</p> <ul style="list-style-type: none"> • Consignments valued above \$400 containing multiple goods some or all of which are valued below \$400. • Vendor sells the goods at or below \$400, but Customs calculates the value to be above \$400 • Vendor incorrectly collects GST and Customs correctly collects GST. <p>Options:</p> <ul style="list-style-type: none"> • Customs doesn't collect GST if provided evidence that GST has already been collected. • Vendor doesn't charge GST if they have a reasonable believe that the good will be sent in a consignment valued above the low-value threshold <p>Relief where double taxation applies – Customs or vendor?</p>	<p>We agree that these are risks, and they will be difficult to manage in practice. These risks, and other implications, is the reason why we consider an extended status quo option warrants further consideration.</p> <p>The simpler the regime the better. Unless the regime is simple for suppliers and marketplaces, many will exit the New Zealand market given the compliance costs involved.</p> <p>We believe the simplest option is:</p> <ul style="list-style-type: none"> • The \$400 threshold should be applied on a consignment basis. This will be easiest for marketplaces to automate. • Additional GST should not be collected by Customs if the Vendor sells the goods below \$400, but Customs value over \$400. This would be confusing for consumers who have paid less than \$400 for goods. • Where there is double taxation, Customs should return the GST. <p>We agree that there should be an awareness campaign to ensure that consumers are aware of the potential for double taxation.</p> <p>We note that a marketplace may not know the consignment value for all supplies. For example, if a supplier has organised the shipping then the marketplace will not know the total shipped price. Where this occurs, the marketplace should be able to apply for an exemption from the Commissioner (see above).</p> <p>We would also support an option for marketplaces and suppliers to collect GST above the \$400 threshold, such that the platform can automate to collect GST on all purchases, and where this occurs Customs would not need to collect GST.</p>
Issue Three: Valuation methodology for determining whether GST is required to be charged on a supply of goods	

Issue/Proposal	Our submission
<p>There is potential complexity for vendors, EMP operators and re-delivers in determining whether goods are above or below the proposed \$400 threshold (and therefore whether they need to charge GST) if the threshold is based on the Customs value of the goods (e.g. whether the vendor also needs to consider the amount to transport and insure the goods).</p>	<p>We believe that consumers prefer suppliers and marketplaces to present the price for the goods to be delivered to the consumer. This is evidenced by the number of suppliers and marketplaces that bundle their pricing and present a cost for a good that includes “free shipping”.</p> <p>Accordingly, we believe that the consignment should be based on the total price (i.e. of the goods plus any additional freight and insurance charges). If the value threshold is not structured in this manner, it will encourage suppliers and marketplaces to structure each charge separately which is not helpful for consumers and occasionally misleading.</p> <p>Recognising this consumer preference, we recently changed our success fee model for in trade sellers so that fees are charged on the total value of the transaction (including shipping). We found that sellers could include large shipping costs separate to the price of the item to avoid fees, and this created a pain point for buyers using the site. By charging our fees based on the total value, sellers are incentivised to offer “free shipping” and advertise their prices more accurately.</p> <p>This issue also reinforces that only marketplaces that have a high involvement in the purchasing process (i.e. are more akin to a supplier) will be able to fully comply with the regime. Where the marketplace does not ship the goods to the consumer it will likely be problematic for the marketplace to calculate whether goods are above or below the threshold.</p>

Thank you for considering our submission. If it would be helpful, we would be happy to discuss our submission and recommendations in person.

Sincerely,



Jon Macdonald
Chief Executive Officer