

# Low threshold 'impedes online shopping'

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The duty-free threshold for goods imported into SA needs to be raised, experts say, as it significantly impedes the growth of online shopping and restricts consumer choices.

South Africans buying goods valued at more than R500 from online retailers are subject to taxes. For books and journals, the threshold is a mere R100.

In many other countries the threshold before taxes and duty applied to online shopping is R8000.

The R500 duty-free threshold for goods bought from global online retailers such as Amazon.com is too low, Charles Brewer, DHL Express sub-Saharan Africa MD, argued.

The threshold was a "significant impediment" to South African consumers, preventing them from benefiting from internationally competitive prices and the expansive choices offered by international retailers.

"Growth in online shopping surged in Australia on a currency that strengthened rapidly against the US dollar, coupled with an attractive tax structure - whereby imported goods to the value of A1000 were exempt," Brewer said yesterday, 19 June 2012.

"The price competitiveness of online shopping saw the volumes of inbound shipments grow exponentially, and the culture of online shopping in Australia mature overnight."

Online shopping - also known as e-tailing - grew 30% year on year in Australia after the tax-free threshold was increased in 2010.

Although 58% of SA's 8,5-million internet users shop online, there are still huge opportunities for e-tailing to become a retail bridge between SA and the world, Brewer said.

South African Revenue Service spokesman Adrian Lackay said the Value Added Tax (VAT) Act stipulated that the acquisition of "imported services" of more than R100 was subject to 14% tax.

"There may be other duties on importation, besides VAT, depending on what item is imported," Lackay said yesterday.

"This policy stance provides consistency between imported 'goods' and 'services' as per schedule one of the VAT Act."

An amendment was proposed to increase the VAT threshold from R100 to R500, but as a result of public comments the proposal was withdrawn, Lackay said.

Jed Michaletos, customs and global trade director at Deloitte & Touche, and the firm's VAT director, Suzanne van der Merwe, said the "de minimus" tax import duty rate contained in the Customs and Excise Act, which corresponded with the VAT Act, provided for importing goods with a value below R500.

"There appears to be scope for the South African government to increase the value to bring it more in line with international trends, and we believe that R1000 may be more appropriate," Michaletos and Van der Merwe said in a note yesterday.

"However, we do not believe that such an increase would have a significant effect on the trends of online shoppers in SA as customs duties and VAT on importation will still need to be paid on dutiable goods imported, irrespective of the value."

Michaletos said raising the threshold to more than R1000 could open up the provision to abuse and have an adverse effect on the local retail sector.

But Brewer said that, with about 4-million South Africans shopping online and rapidly gaining confidence, consumers were ideally placed to join the global online shopping community.

Lower prices were cited by the 2011 MasterCard Worldwide Online Shopping Survey as a key motivator to shopping online.

Liz Hillock, head of marketing at kalahari.com, SA's biggest online retailer, said South Africans buying items online should not only consider duty fees but also the availability of products, returns policies, warranties and after-sales customer service.

"Regardless of the potential reduction in duty fees for consumers, access to after-sales support will always trump a small cost saving," she said.

Source: *Business Day*

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