

# It's time to tax the Internet: affirmative

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NEW ZEALAND INSTITUTE FOR THE STUDY  
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- ▶ These distortions are a dead-weight cost of reallocating money from taxpayers to the government.
- ▶ Universal GST represents one of the least distortionary ways to raise tax, and therefore is preferable to other taxes *from an efficiency point of view*.



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    - ▶ The volume of sales at *in-state* online retailers falls by approximately 3-4%.



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  - ▶ Cause foreign retailers to lose 45-60% of their sales to New Zealand.
  - ▶ Cause NZ online retailers to gain 27% additional sales.



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  - ▶ Raised GST collection will be offset by reductions in other taxes (e.g. income).
  - ▶ Distortions due to old taxes and asymmetric GST treatment removed.

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  - ▶ New Zealand (\$NZ 226-399).
  - ▶ Australia (\$NZ 1229.32).
  - ▶ Canada (\$NZ 23.73).
  - ▶ China (\$NZ 95.32).
  - ▶ South Korea (\$NZ 164.28).
  - ▶ United Kingdom (\$27.96).
  - ▶ USA (\$237.74).



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  - ▶ United Kingdom (\$27.96).
  - ▶ USA (\$237.74).
- ▶ Clearly, other countries *are* managing to collect taxes on small transactions.



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# Possible solutions

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- ▶ Tax treaties: we collect foreign countries' GST in exchange for their collecting ours.

