

# THE PUBLIC FINANCE DEBATES:

## “It’s time...to tax the internet”

Commentator:

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WEB SURFING



ISSUE	OPPONENT	PROPONENT
<b>Efficiency</b>	Compounds extant pricing distortion therefore not taxing improves efficiency	Universal GST is one of the least distortionary ways to raise revenue
<b>Equity</b>	Regressive: burden falls on younger consumers who purchase more goods and services online	Products may be cheaper online (notwithstanding the potential tax)
<b>Reduced productivity and growth</b>	Creates barriers to building a knowledge society	Online knowledge sources widely (and often freely) available
<b>Good tax system principles</b>	'Good tax' principles are already breached: one more won't make a difference	Removes current distortions
<b>Impractical with high compliance costs</b>	High collection costs	Collection costs are high, but other countries collect taxes on small transactions. Range of possible options for collection.
<b>Generates perverse incentives</b>	Innovative consumers will find ways to avoid the tax	<b>May encourage substitution to NZ retailers (27%)</b>