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3 April 2018

The Honourable Minister for Finance
Mr Grant Robertson

Last year mention was made on the radio about parliamentary discussion of bringing in GST on internet purchases. That Companies overseas with incomes over $60,000 were going to be asked to voluntarily collect a GST on sales.
This to me seems to miss the objective of collecting tax as it would be very easy to not comply / create another trading name / or route through distributors, be difficult to administer, and would not cover all types of purchases.

To my mind if I were to make an overseas purchase the easiest and most common way to pay for that purchase is by credit card / western Union or similar / foreign exchange. All of these institutions can be monitored are audited and do not differentiate on the basis of what the money was for. So instead of trying to extract a 15% GST tax from some unlucky companies why not impose a say 3% tax on ALL overseas transactions.

Money sent overseas not intended for purchases is money not being put into the NZ consumer cycle so tax is lost on it anyway. With the adoption of a 3% tax each financial fraternity charging the transaction as a plus "transfer of money tax" and paying a monthly lump sum into treasury coffers.

If I sent money to Aunty in USA so she could buy something and send it to me this overseas "transfer of money tax" would cover the purchase in some way.

Suggest:
(1) Not change the current GST rules on goods brought into the country, its working.

(2) 3% that would catch ALL under $400 internet transactions from mum and dad , and be welcomed by retail as something to deter overseas purchases.

(3) be allowed as a tax relief for those companies making purchases of overseas goods which are likely to benefit industry as registered companies could then claim the allowable 15% on their GST returns plus the 3% "transfer of money tax" where goods were purchased for infrastructure improvement as evident by the article /product - so industry would not be disadvantaged.

(4) The biggie - Be able to tax profits made in NZ by overseas companies where the money is not reinvested in NZ. – perhaps encourage them to invest into NZ - if they did the amount could be credited to their tax account on a $ for $ basis for money they did send overseas so they haven't lost anything just not sent all of it out of the country. Should they decided to invest more than 50% they could get a 3% credit against future transfers. Banks would be holding more money so debt to equity ratios could be looked at, and as banks would be making more money with the interest from more investment funds it would be their reward for collecting the tax.

(5) Would be a loss to those islanders sending money home but with the increase in income from (4) some income tax relief to the lower incomes could offset that situation and be a vote catcher.

(6) Resident holiday makers and business travellers could file a claim for all expenses associated with their trip (ticket purchase and credit card purchases upon return by application to IRD) If the person were leaving the country no refund. Travelling with cash under $10,000 would not be taxed. This would help those on holiday. Obviously not all would file.

(7) Persons bringing in money through the banking system for investment would be credited that amount and only pay tax on any increase if there was any upon vacating.

(8) Money laundering would be taxed.

(9) Just as now cash smuggled out would not be taxed. The perpetrators would probably lose more than 3% in exchanging it overseas.

Being a 3% tax is not too much as in the case of Singapore a 3% tax on all purchases has made that country what it is today. I would hope Mr Muldoon's offer of finance to Lee has been dropped by now.

Forwarded for consideration.

Yours sincerely,

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John Carter.

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