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GST CHANGES WOULD BE YET ANOTHER TAX INCREASE - IPA

“The Abbott government’s plan to impose a ‘Netflix Tax’ on digital downloads and to lower the GST-free threshold will add to the already substantial tax burden on Australian consumers,” says Chris Berg, Senior Fellow with the free market think tank the Institute of Public Affairs today.

Reports today say that next week’s federal budget will include plans to apply the GST to digital imports such as music, books, videos and software.

The government also plans to pursue lowering the low value threshold (LVT) that determines whether physical imports are charged GST. Currently the LVT is set at \$1,000.

“It is concerning that the government has abandoned its program of spending restraint and is now looking to extract more money out of already struggling taxpayers,” says Mr Berg.

A paper published by IPA Senior Fellow Dr Mikayla Novak in January 2015 found that the compliance burden of lowering the LVT would outweigh the revenue returned to the government.

“Lowering the LVT or charging a Netflix Tax will not help Australian retailers compete with online retail. Australian retail is vulnerable to changes in the dollar, our high regulatory burdens, and intrusive industrial relations law,” says Mr Berg.

“The government should not try to tax its way back to surplus. Australia has a spending problem, not a revenue problem,” says Mr Berg.

Dr Novak’s paper *No to the GST tax attack: Why the exemption for online purchases should stay* is available at: <http://www.ipa.org.au/publications/2322/no-to-the-gst-attack>.

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