

Mr Tom Nankivell
Collection Models for GST on Low Value Imported Goods inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601
Via email: collection.models@pc.gov.au

29 August 2017

Dear Mr Nankivell,

Thank you for the opportunity to respond to the Productivity Commission's inquiry into collection models for GST on Low Value Imported Goods. As a major participant in the global payments industry, Mastercard is well placed to provide insights on the role of payment systems in facilitating purchases of goods and services online.

We have limited our response to the Commission's discussion paper to the proposed *"financial intermediary"* model, under which *"banks, credit card companies or entities such as PayPal would be required to remit the GST on low value imports from online sales, based on information supplied by the vendor."*

Mastercard agrees with the Commission's view that the financial intermediary model is not viable. The Commission correctly recognises the financial intermediary model would be unworkable due to the limited information available to payments networks in the course of processing transactions and the lack of systems to support remittance of GST in the jurisdictions of importation.

Insufficient data available to payments networks

Payments networks do not have access to the data necessary to facilitate tax collection. Mastercard cannot identify exactly what goods or services are being purchased by cardholders, and therefore cannot assess whether the transaction should be subject to GST.

The lack of relevant data renders the financial intermediary model ineffective with respect to collecting GST on imported low value goods purchased online.

Payments networks are not designed to collect GST

Furthermore, imposing an obligation to apply and collect GST on online purchases from overseas retailers would require radical change to the business models of payments networks; their relationships with consumers, merchants and financial institutions; and payments infrastructure and technology.

The Mastercard Network enables the routing of a transaction to an issuing bank for approval. Once approved, we help to settle the transaction by facilitating the exchange of funds between parties via settlement banks.

In this model, Mastercard does not have direct relationships with either the merchant or consumer. Our network infrastructure is designed to expedite the processing and settlement of transactions between financial institutions and is not set up to calculate, collect and remit taxation on transactions.

Requiring payments networks to collect GST would create a substantial administrative burden and ultimately increase costs for users.

We would be pleased to provide you with more detail on the operations of the payments system. If you would like to discuss this submission further, or require additional information, please contact Chris Siorokos, Director Public Policy or via email

Yours sincerely

Richard Wormald
Division President Australasia