**Response to Re:think Tax Discussion Paper**

**Ideas:**

* A digital tax
* A sovereign digital currency

**Tax efficiency:**

The significance and likely ongoing growth of online transactions and communications presents an opportunity for the application of targeted revenue initiatives other than a mere broadening of the application of the GST.

Taxes need to encourage economic activity, not discourage it. These tax initiatives have the potential to widen the tax base significantly.

**Digital tax**

A digital stamp (or DigiTax or DigiStamp) applied to data use, both downloads and uploads, would capture both e-commerce transactions, general internet usage, online communications, e-mails, and gaming. Electronic communications represents leakage of traditionally taxed activities (being GST avoided or part avoided via online purchase and profits generated by Australia Post’s traditional postage services) and creates no new tax burden (being a replacement of a diminishing/outmoded revenue source).

The current and growing popularity of e-commerce, data streaming, downloading, file sharing, and online gaming suggests that a carefully applied tax might generate significant additional government revenues without creating inequitable outcomes or adversely affecting consumer behaviours.

Implementation might be any or some of:

1. A flat fee (akin to a licence)
2. A volume charge (x cents per e-mail or online purchase/sale)
3. A data charge (x cents per MB or part thereof charged monthly)
   1. Charged to the ISP or service provider
   2. Charged directly to the user
      1. Charged through an electronic wallet
      2. Charged through a digital currency or digital stamp
      3. Feature on-line stamps (like online trading cards) that might feature images, patterns and borders and that could become collectible and transferable like postage stamps. Stamps could be “post marked” when used, but have an on-going digital life (hence collectible/tradeable).

**Sovereign digital currency**

The creation of a sovereign centralised tradeable digital currency (linked in value to the AUD or independent thereof) would be a significant initiative with revenue potential of its own (being transaction fees, bid-offer spread, commissions, etc.). The transaction facilitation benefits of such a currency would be of substantial economic benefit.

The sovereign element of such a payment mechanism would allow it to compete successfully with non-sovereign alternatives. There remains the opportunity to create a global currency for electronic commerce that this initiative could fulfil.