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From: Leo Treasure [mailto:leotreasure@gmail.com]

Sent: Monday, 12 May 2014 8:43 PM

To: Tax Board

Subject: Submission for review of impediments facing small business

To the board,

I am a director of Inside This World Pty Ltd, a small Australian company of two people that will specialise in the sale of digital currencies like Bitcoin et al. We are a Bitcoin start up.

Bitcoin is a worldwide value exchange system. If you don't know about it please have a look at the short video at <http://www.weusecoins.com>

It has recently come to our attention that the Australian Tax Office will soon be announcing their intentions that all Bitcoin transactions have been and will continue to be subject to the Goods and Services Tax, including transactions involving the exchange of money.

This is concerning to us and the Bitcoin community because of the double taxation implications for our business and the Bitcoin industry in Australia.

To illustrate the potential for double taxation to adversely impact our industry here is an example taken from a research paper titled 'GST and Bitcoin - Potential Pitfalls' written by DLA Piper:

>White Co has sold equipment worth \$11,000 (including GST of \$1,000) to an Australian customer. White Co has agreed to accept an equivalent amount of Bitcoins instead of Australian currency in payment for the equipment.

>White Co will have a GST liability of \$1,000 on the sale of the equipment, notwithstanding that it has received Bitcoins instead of Australian currency.

>Following the sale, White Co decides to convert the \$11,000 worth of Bitcoins that it has received to Australian currency. White Co sells the Bitcoins to a purchaser within Australia for \$11,000. The sale of the Bitcoins may be treated as a taxable supply, triggering a second \$1,000 GST liability for White Co.

>Had White Co accepted Australian currency at first instance, there would not have been any need to convert the Bitcoins and the second potential GST liability would not have arisen.

The charging of GST on Bitcoin purchases leads to a loss of revenue due to customers buying bitcoins from countries that sell without a VAT.

It also makes accepting Bitcoin not feasible for small businesses because of the volatility in Bitcoin's price.

GST is a tax on consumption paid only by the consumer but bitcoins are never consumed because they are just numbers traded as a medium of exchange.

Bitcoin is never sold to consumers. People who buy bitcoins know that there are no consumer protections, rights or legal recourse if they lose them. It is a technological experiment and to tax it at the consumer level does not make sense.

If no sales tax were to be levied on the exchange of Bitcoin, the Bitcoin economy could grow in Australia and there would be a bigger tax base for Australia from Bitcoin businesses.

Please take into consideration these arguments in your next consultation.

Regards,

Leo Treasure

Inside This World Pty Ltd.