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The Manager – Enquiry into IT Pricing  
House Standing Committee on Infrastructure and Communications  
Parliament House  
PO Box 6021  
Canberra  
ACT 2600

Dear Sir/Madam,

I wish to provide a 2 page submission addressing all 4 items in the terms of reference (TOR).

Introduction:

Our position is that we are an Australian Software developer and have for the last 5 years developed a software package that is now used in every country of the world.

Our business currently operates in Australia, however sales in Australia are poor because of a GST price differential that automatically makes our software 10% more expensive to people who quote an Australian address.

Legality concerns:

We are required to pay GST if somebody in Australia purchases our software. However often it is impossible to determine if a customer is located in Australia at the time of the purchase. Hence we are unable to sell our software unless the customer quotes a residential address. If the address is in Australia we still have to charge GST even if the person is overseas at the time.

Another situation where we need to deny making a sale is when a non-specific address is specified. For example a customer may indeed be residing permanently in Australia, but simply quote some form of overseas address. eg. Post Restante, Some Post Office, Some Suburb, Some State, Europe or perhaps USA.

TOR(a): Whether a difference in prices exists.

Clearly there is a price difference. Australian Customers do not pay GST when they download and purchase software from overseas. However when they purchase our software, either they or we have to pay GST.

TOR(b): Establish what those differences are.

Clearly for many Australians our software is 10% more expensive and hence less attractive than an overseas alternative.

TOR(c): Determine why those differences exist.

We are legally required to charge and/or pay 10% GST when Australians buy our software or when the country of origin cannot be determined.

TOR(d): Establish what the impacts are.

Australian Businesses always tend to buy the less expensive product as they have to justify any additional expense. On some items we have to absorb the GST simply to make the sale. Sometimes Australian sales are made using PayPal and we are not able to automatically increase the PayPal amount; hence we are forced to absorb the GST amount.

This situation applies to any item that can be received using IT communication facilities such as the Internet or a Phone.

This would include such IT and non-IT items as CAD drawings, Pictures, Graphic Art, Music, Movies and of course software.

Indications are that the variance of items that this applies to is growing rapidly. For example using a 3D printer, a computer controlled lathe or cutting machine, you can now obtain an actual physical item electronically.

TOR(e): Determine what actions might be taken.

For all software that is priced under \$1000....

Either do not charge GST on this software or make people pay GST when they download the software from overseas.

Summary:

For us this is limiting the extent where we develop our software. The alternative is for us to setup an overseas website and bank account in say Bali and run the business remotely.

I have heard of some Australians who have done this, they live and work in Australia but their output is sold from overseas. Their marketing is back into Australia and Australian Post delivers their letters, but even the postage is paid in an overseas country.

It is totally essential that the Australian Parliament moves rapidly with the times, or else they will get left further and further behind.

This submission was prepared by Philip Smyth Best who is the manager of Applied PC Systems.

(Phil Best).