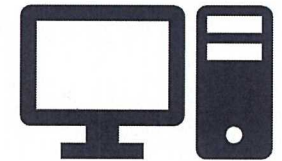


PRIVATE AND CONFIDENTIAL

GST PAYGATE TRANSACTION SERVICES GROUP PRESENTATION



Thought Leadership discussion document

July 2018

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Introduction

AGENDA

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1 TSG overview

Who are we and why are we here?

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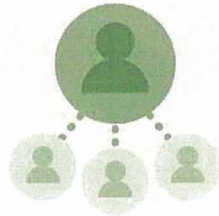
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1. Who are we?

TSG is a leading global provider of business management software and revenue management solutions – with a global executive team based in Auckland, New Zealand -



\$7 billion +
transaction volume



11,500 +
clients



#1
in every core market



**In New Zealand
we trade as
DebitSuccess**



**Majority
New Zealand
Owned**

8 million +
Transactions processed
per month (globally)

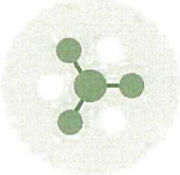





4.5 million +
customers

592
employees

20 + years
of trading after having
been established in New
Zealand

TSG core products and services

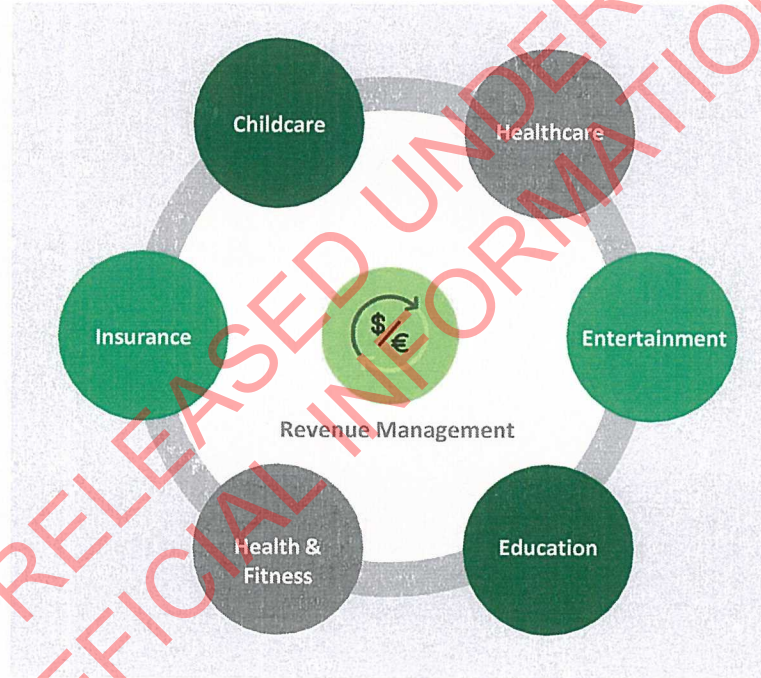
TSG partners with clients to onboard and maximize their revenue through a range of high quality Software platforms integrated with best in class Revenue Management Services (including Payment Processing)

					
Sales	Payment Processing	Customer Service	Credit Control, Recovery and Retention	Debt Collection Services	Analytics
<ul style="list-style-type: none"> ▪ Online customer sign-up ▪ API enabled integration 	<ul style="list-style-type: none"> ▪ Highly flexible payment schedule (any day, any frequency) ▪ Accepts all payment types 	<ul style="list-style-type: none"> ▪ Fully outsourced customer payment relationship ▪ Services day-to-day customer account and billing enquiries 	<ul style="list-style-type: none"> ▪ Automated email/SMS alerts for missed payments ▪ Dedicated outbound call center ▪ Ability to restructure payment streams 	<ul style="list-style-type: none"> ▪ Internal debt collection services offered (90+ day receivables) ▪ Engagement of third-party debt collection services also available 	<ul style="list-style-type: none"> ▪ Customized reporting and analytics capabilities

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TSG sectors

Our software and services create value in multiple verticals (industries) by offering targeted Business Management Software and Revenue Management Solutions



TSG core markets and brands

We operate a global business model which relies on deploying high-quality Software into various markets, complemented by our best in class Revenue Management Services



TSG solution

Vertical Software | Horizontal Services = fully integrated solution



Why are we here?

TSG have a range of advanced payment processing capabilities and knowledge of the global banking and payment eco-system

**We have
capability the IRD
can leverage**

We wish to lend our unique **knowledge and capabilities**

We are highly focussed on **finding solutions for our clients** in the payments space

We are willing to **share our conceptual proposal with the IRD**

**We have a desire
to achieve a
positive
outcome**

TSG see an opportunity to establish a **functional process** for the e-Commerce **GST collection process**

We understand the IRD are willing to **embrace technology to their advantage**

TSG see an opportunity to **add value**

2 Current state of play

Discussion of the issue at hand



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The GST e-Commerce problem

New Zealand has a problem collecting GST from online transactions with overseas merchants

Issue at hand

Greater **awareness** of GST revenue forgone (e-Commerce)

Perception that online retail is **not a level playing field** between NZ and foreign merchants, due to inconsistent treatment of GST

Precedent in Australia - foreign merchants not willing to collect GST for ATO (i.e. Amazon)

Barriers to resolving this

Fragmented e-Commerce **data** and retail sales records

No obvious solution to establish a functional process for collection of e-Commerce GST

Limited options to **automate the process** and establish seamless collection

The answer lies in the digital footprint of the payment transaction ...

3 Proposed Solution

Details of the GST PayGate solution

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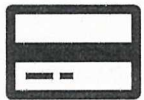


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3.0 Summary explanation – GST PayGate

A seamless, data driven, collections process...

TSG will only touch a limited number of transactions and propose to:



Engage with Card Schemes / Issuers:

Digital footprint of payment transaction extracted Data from Card Schemes / Issuers
See next [two pages](#) for further detail on digital transaction footprint



Extract limited transaction data:

Only **limited Data Packet** provided to TSG with only relevant transactions
See [page 16](#) as to why this data is limited

01011

Automated billing process:

TSG manage **billing process** and to recover GST collections for IRD
See [page 19](#) for explanation as to what TSG propose providing



Consumers charged GST:

Consumers simply see an **additional line item** on credit card bill
See [page 17](#) for example credit card statement

3.1 What is the digital footprint – Credit Card Data?



The digital footprint of a transaction includes both individual Credit Card Data and Transaction Data (i.e. merchant ID, merchant category codes and transaction references)

Bank of XYZ Limited – Credit Card

The digital card footprint includes:




- A Card Scheme provider (i.e. Visa)
- B Bank Number (i.e. BNZ bank)
- C Account Number
- D Check Digit

3.2 What is the digital footprint – Transaction Data?

The digital footprint of a transaction includes both individual Credit Card Data and **Transaction Data** (i.e. merchant ID, merchant category codes and transaction references)

Bank of XYZ Limited			
9 Jun 2018	A	MIKE'S SHOES LONDON 228.59 US DOLLAR at a Conversion Rate of 0.7007 (NZ\$326.24)	\$326.24
9 Jun 2018		OFFSHORE SERVICE MARGINS	\$6.85

B  Relevant attached (but usually hidden) transaction Data

The digital transaction footprint includes:

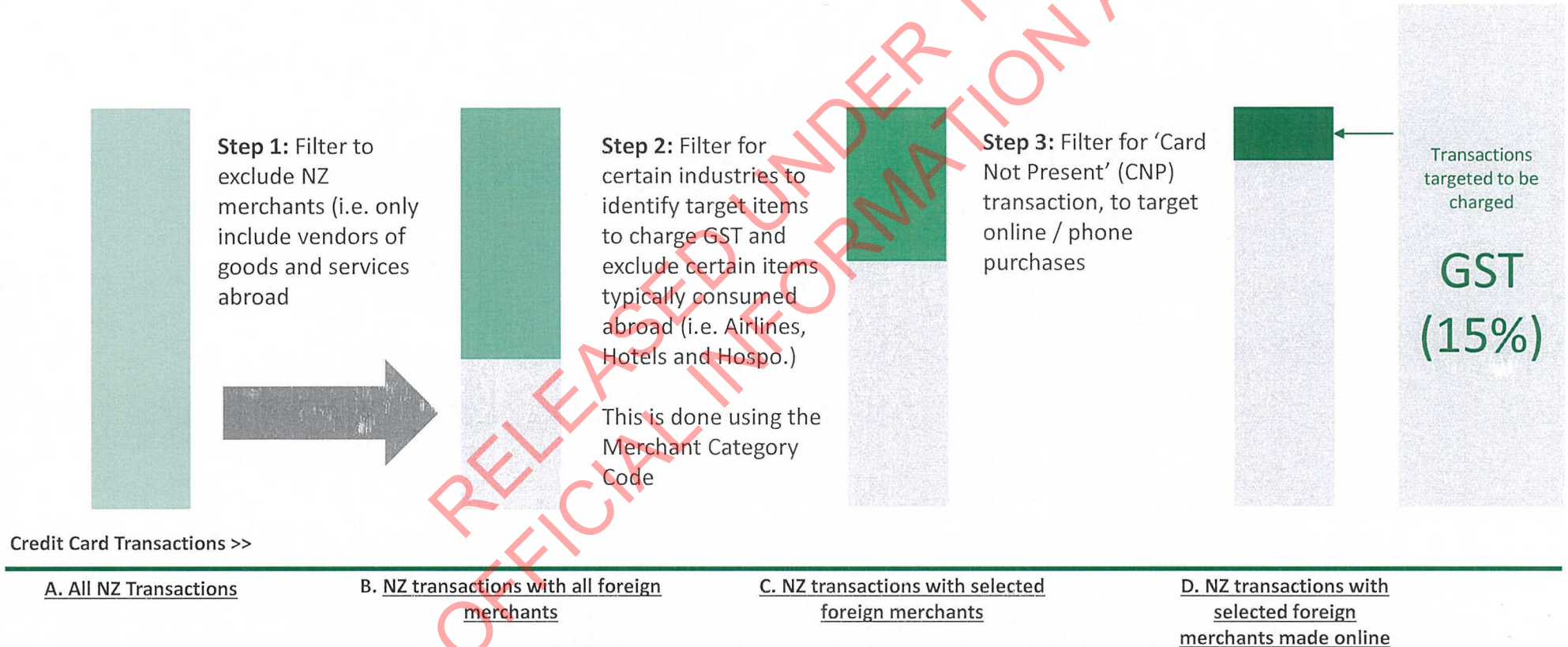
- A** This is an example of a New Zealand Issued Credit Card being matched with a transaction from a foreign merchant (Mike's Shoes London) to generate the **Offshore Service Margins**
- B** Transaction data also includes **transaction reference, merchant ID and merchant Category Code** – however consumers cannot see all of this data on their Credit Card statement

*hospitality, retail etc.
card present at terminal*

transaction or not

3.3 How do we target the right transactions?

By utilising the digital footprint for individual e-Commerce transactions, we plan to identify and charge GST on transactions made 'card not present', abroad and from certain target merchants (see D. below)



3.4 Example credit card statement

What will the consumer see?

We would expect that consumers simply see an additional line item on their Credit Card Statement:

Bank of XYZ Limited – Credit Card Statement		
9 Jun 2018	MIKE'S SHOES LONDON 228.59 US DOLLAR at a Conversion Rate of 0.7007 (NZ\$326.24)	\$326.24
9 Jun 2018	OFFSHORE SERVICE MARGINS	\$6.85
10 Jun 2018	NZ IRD GOVT GOODS AND SERVICES TAX CHARGE at 15% of Gross NZD Value (\$48.94) – Mikes Shoes London	\$48.94

4 TSG SUPPORT

How can we help?



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How can we help?

We propose working together to understand how the IRD can leverage TSG's capabilities to enable seamless collection of GST funds from consumers shopping overseas online. TSG would propose providing a complete (end-to-end) solution to collect GST on foreign e-Commerce purchases

IRD / Customers:

Need billing system and/or infrastructure and Level 1 PCI DSS certified



Banks / Card Schemes:

Not set up to handle refunds or reconcile collections. Difficult to administer and audit with multiple card providers



TSG: As New Zealand's largest billing services provider we can / have:

- ✓ Provide a complete solution to charge e-Commerce GST to NZ consumers
- ✓ A centralised processing centre that can be audited by IRD
- ✓ A sophisticated and stable billing platform
- ✓ IT infrastructure that is high-quality, used by a global client base, and scalable
- ✓ PCI DSS Level 1 certified

5 Next Steps

Where to from here?

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What next?

We propose co-ordinating a workshop with key IRD management to discuss how this may become a key policy initiative to help the IRD adapt to the changing e-Commerce landscape

Confirm assumptions:

- That no legislative changes are needed – i.e. are online purchasers 'importers' (1986 GST legislation)
- How will Card Issuers revise T&C's and other payment channels?
- Quantify value of GST forgone from e-Commerce

Conduct a workshop to consider:

- Appointment of TSG (Debitsuccess NZ) as an agent of IRD to approach Card Schemes / Issuers (i.e. Visa)
- How to approach credit card issuers (e.g. Westpac) to prove information availability
- How we get information from Issuers i.e. discuss this with the New Zealand Bankers' Association (with TSG)

Formalise and move forward

- To discuss TSG / IRD Heads of Agreement to continue progress
- Appoint an IRD and TSG GST PayGate working group
- Eventually negotiate terms upon which TSG can support the NZ Government