Tax Working Group Public Submissions Information Release

Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;

[2] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Nearly Everyone in Town Benefits from Tourism

All goods and services traders in tourist hotspots like Queenstown benefit from tourism. Tourism has massively increased demand for bars, restaurants, activity operators, taxis, accountants, electricians, plumbers, builders, law enforcement, developers, planners, long haul transport operators and everyone else. Every sub sector of the local economy and most residents benefit from tourism.

In Queenstown, the big players - Real Journeys, Skyline Enterprises, Ngai Tahu and NZSki - receive almost all their revenue from tourism.

Tax Equity Must Remain a Key Principle of Fiscal Policy

If every business in a region benefits, the cost of the supporting infrastructure should be borne by all those beneficiaries, or at least apply equally across the local economy. Most definitely it should not be imposed on just one subsector of the local economy – the formal accommodation sector.

Don't Favour the Informal Sector and Other Destinations

Adding a new layer of tax only to the formal accommodation sector will raise prices and drive yet more tourists away from regulated accommodation. It will push more visitors into private holiday homes and into the freedom camping market.

New taxes on formal accommodation in Queenstown will increase the price differential between Queenstown and nearby alternative accommodation centers, diverting overnight stays away from Queenstown to alternative places.

Tourists Spend Only 14% on Accommodation

Tourists spend only 14% of their NZ holiday money on accommodation. Taxing 14% of the spend is missing a much wider opportunity. There is much more to be got from tourism revenue. Taxing accommodation is the wrong target.

The GST Take is Enormous - Returning More To Regions Makes Sense

With international visitor expenditure to the year ended September 2017 at $10.4 billion per annum, the GST take is $1.56 billion.[1]

Queenstown alone has a tourist expenditure of $2.2 billion which generates around $332.4 million every year in GST receipts for central government.

Regions should receive a central government credit which should be structured as a guaranteed share of their GST earnings. That way funding for infrastructure

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[1] MBIE: *Key Tourism Statistics*, 22 November 2017.

would be put in synch with demand for infrastructure and services in any given region, whether it goes up or down.

Note that this approach was endorsed by one of the coalition partners of the current government.

The Very Best Option is "Local Taxes Extra"

If central government resists handing back a defined portion of GST then regional councils should appeal for a right to raise more of their own taxes.

It is common in many offshore jurisdictions to allow regional governing bodies the right to raise transaction taxes – hence the "Local Taxes Extra" line that appears on sales dockets in many federated states.

Allowing regions to generate their own transaction taxes would however be a significant development in NZ fiscal policy. It is likely to be resisted by central government and the major political parties.

It does however offer the greatest freedom and certainty in both revenue generation at the local level and expenditure on things that matter to locals.

If a region-wide ability to tax transactions was established and applied across all subsectors of the local economy, then it need not be anything more than a marginal charge. Around 1% would generate plenty of additional annual revenue off international visitor expenditure in Queenstown alone.