

## **Tax Working Group Public Submissions Information Release**

### **Release Document**

**September 2018**

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

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## **Submission: On the Future of Tax**

### **General remarks**

1. I support the Tax Working Group's review seeking to identify a fair tax system that positively impacts on the well-being of all New Zealanders.
2. I do not believe the current system of taxation that enables provision of publicly funded infrastructure establishment, maintenance, and/or services has been neutral, fair, or just. The fact that we have such a gulf between rich and poor on income and wealth measures; such alarmingly high rates of child poverty, violence, poor mental health, homelessness; and unequal opportunities to put a stake in the ground and engage in meaningful work to create a secure future with real choices confirms to me that the present system of tax-take and allocation for social wellbeing purposes is not in balance. We are a relatively small nation. It isn't that hard to see that marked inequalities between groups of people and between regions are shaped as much by structural arrangements as by individual will, opportunity and circumstance. We should all be able to expect access to reliable, efficient and effective publicly funded services. Fair taxes are what enable provision of these social goods.
3. I applaud the holistic approach taken to adopt The Living Standards Framework incorporating the four 'capital stocks' and associated flows as a basis for public policy direction. I believe this lens should be applied to all government decision-making.
4. I believe this approach is a more appropriate fit with Te Tiriti o Waitangi obligations and commitment to respect the land and the people, now and into the future. Economic drivers and production activities must also include accountability for their impact on the environment and natural resource sustainability – not just be measured for their financial return. Polluters must pay. We must not let our natural resources (particularly water) be taken offshore without fair returns to New Zealand.

The tax system is one tool that can more fairly support these wider social wellbeing measures, provided it is more universally and equitably applied.

5. Where significant areas of a region's landmass are locked up into public conservation lands (PCL) and protected for the benefit of all New Zealanders there must be some kind of benefit-transfer from government back to that region to ensure the limited number of local ratepayers are not unduly burdened with infrastructure costs that also benefit the whole country (eg roads, water supply, communications, civil defence services) yet must meet needs over large distances where other economic and residential activities are not permitted, or are very limited. For example, Te Tai Poutini is sparsely populated and although there is some concession revenue gain from PCL-related activities the region is also looking for opportunities to build/support stronger employment and income growth. This region has no public transport, a low-median income and many more existing on less than the living wage, along with high local body rates so it is challenging for many to seize/develop new business opportunities without external funding start-up support. The current Regional Development Fund will undoubtedly go some way to offsetting this disadvantage. It has been a long time coming but how far will it stretch and for how long? A fairer division of the overall tax take would avoid a short-term lolly-scramble.
6. I support a government change in direction that drives more environmentally sustainable and accountable economic activity. Where private businesses may need to change their focus or even cease their current economic activities because they do not meet the greater good criteria for socially responsible trading there must be a transition strategy, government-led if necessary, so that communities are not left stranded from the exit of employment activity.

#### **Immediate changes I wish to see**

7. A review of all for-profit businesses that currently have Charitable Status. Multi-million dollar traders ranging from Sanitarium to those run by The Christian Church Community Trust (Gloriavale Christian Community), to name just two examples among the multitude of other for-profit business arms incorporated within this class of charitable trust operators, must start contributing a fairer share of tax for the nation's wellbeing.
8. Revision of existing targeted tax rates where the alcohol industry reaps vast profits from their private trading activities but they contribute very little through taxation to counter the enormous costs of alcohol-associated harms that are carried by individuals/whanau and the publicly-funded sector.
9. I do not believe the current approach to alcohol excise tax in New Zealand fair for the majority of New Zealanders. People who don't drink alcohol (20% of adults) and low risk drinkers are unfairly burdened with the wider costs to society of alcohol-related harm. The government receives excise tax from alcohol (\$1 billion in 2017) but this does not come close to the annual cost of alcohol-related harm to individuals and society (around \$5 billion in 2005/06).

10. Further, the government is missing out on millions of dollars of alcohol excise tax revenue each year because wine is taxed at a level equivalent to 10% alcohol, yet levels of alcohol in a bottle of wine are typically much higher than this (e.g. 12-14%). This anomalous situation needs to be addressed. It is the alcohol content that causes the harm.
11. I believe that rates of alcohol excise tax should more closely reflect the cost of alcohol-related harm to society. Alcohol causes more harm than any other drug available in society, e.g. tobacco, cannabis, heroin, methamphetamine. Of particular concern is the increasing number of hazardous drinkers in New Zealand. We must end retail supply of cheap alcohol. Specific measures to target heavy drinkers would significantly reduce inequalities in alcohol-related harms between income groups. Further, low income heavy drinkers would benefit the most when the price of alcohol is increased.
12. All alcohol products (beer, wine, cider, spirits, etc.) should be taxed by the exact amount of alcohol they contain. This is fair across all beverages. Currently, some products are taxed by volume whereas others are taxed by alcohol content. AWC believes a Minimum Unit Pricing policy would achieve this aim.
13. **Recommendations:**
- That alcohol excise rates are increased by at least 50% across all alcohol products to raise the price of alcohol by at least 10%;
  - That the excise rates on alcohol are adjusted annually to take into account changes in income (and to offset any strategies used by retailers to not pass on increased rates to consumers);
  - That all wine should be taxed by alcohol content, not volume of beverage. If a producer is unable to determine the exact alcohol content in their product, then the level of excise tax should be raised from being based on 10% alcohol strength to 14%;
  - That a minimum price per standard unit of alcohol be introduced.

#### **A new targeted tax**

14. I suggest government extends the targeted tax model by introducing a tax on sugary drinks and other high-sugar content products to act as a behaviour modifier. Poverty, sugary diets, poor oral hygiene have their impact across children and adults. Management of the alarming rise of pre-diabetes and current diabetes incidence already imposes significant costs on our publicly-funded health system. This burden will only get worse if no action is taken now as a society to forestall these avoidable impacts on wellbeing, employment capability, and life years lost.

#### **Future-focussed big system tax changes I want to see**

15. (a) A universal basic income (UBI)

Rationale:

- It is about social justice and basic economic security first and foremost rather than tackling poverty after the fact;

- More effective in reducing poverty and inequality than schemes targeted on the poor;
- Guarantees basic income for all, paid individually to each man and woman, including those with disabilities, and avoids labelling of deserving/undeserving poor;
- Avoids a moral hazard where increasing income to just above poverty level means losing more than the extra earnings – this creates a disincentive to earn extra; and
- Immoral hazard leading to hiding extra income.
- There are high administration costs inherent in current means testing and application of sanctions.

(b) A universal financial transactional tax (FTT) and thereby do away with income tax and the complex collection of GST; it would close existing taxation loopholes; and it would limit banks and financial traders who gain from the globalised economy but are still able to impose excessive costs on the New Zealand public who must use their services to transact their daily business.

Thank you for the opportunity to put forward my views.  
I do not wish to appear before the committee in further support of my submission.

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| <ul style="list-style-type: none"><li>• I acknowledge that my submission will be publicly released (with my email address withheld) and I have noted that the Official Information Act and privacy considerations apply.</li></ul> |
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