

## **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.

30 April 2018

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### **Submission on the Tax Working Group's review**

1. Thank you for the opportunity to provide feedback;
2. I do not wish to speak to this submission if the opportunity arises.

I support the Tax Working Group's review seeking to identify a fair tax system that will have a positive impact on the wellness and wellbeing of all New Zealanders, and works to improve health outcomes and reduce harmful behaviours in New Zealand society.

#### **Background**

Alcohol causes more harm than any other drug available, including nicotine, cannabis and methamphetamine. The pattern of use and related-harms of alcohol continue to have huge implications on the health, social and economic burdens in New Zealand. Hazardous alcohol consumption and related-harms are key drivers of inequities affecting individuals, families and communities, touching most services within the health system and external sectors. Alcohol-related harms are key contributors to poor health outcomes, and inequities on men, Maaori, young persons, and to people and whaanau living in more socially deprived areas. Since 2011, drinking has increased in every group across age, ethnicity and sex, with the greatest increase seen in women.<sup>1</sup> In 2016, there were 179,000 more hazardous drinkers than in 2012.<sup>2</sup> We need to do more to enable and equip people to make healthier decisions around alcohol and to minimise the harm alcohol causes.

Alcohol is too available, accessible and affordable in New Zealand. Currently the government receives approximately \$1 billion (in 2017) annually from alcohol excise tax. However, this does not nearly cover the annual cost to individuals, families and communities; in 2005-2006, there was \$5 billion worth of alcohol-related harm in our nation, amongst our people, in our communities.<sup>3</sup>

The current excise tax system is archaic and inconsistent. The overarching concerns are that:

1. some alcoholic beverages are taxed by volume and some are taxed by alcohol content;
2. the excise tax on wine has not changed in decades; wine is taxed equivalent to 10% alcohol strength. However, wine typically contains 12-14% alcohol strength. This means that taxpayers are losing out on this revenue that could be used to fund essential social services;
3. 20% of New Zealanders do not drink therefore people who fall under low-risk drinkers are unfairly burdened with these costs.

#### **Alcohol Excise Tax**

I believe that rates of alcohol excise tax should reflect the cost of alcohol-related harm to our people in New Zealand. In order to improve health outcomes, reduce inequities and to value a fair system that acts fairly on society, I recommend the following:

1. increase alcohol excise rates by a minimum of 50% across all alcohol products to raise the price of alcohol by at least 10%
2. annually adjust the excise rates to account for inflation

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<sup>1</sup> Ministry of Health (2015, 2016). New Zealand Health Survey

<sup>2</sup> Ministry of Health (2012, 2016). New Zealand Health Survey

<sup>3</sup> Stack, A. & Business and Economic research Limited (BERL). (2009). *Costs of harm alcohol and other drug use*. BERL economics.

3. annually adjust the excise rates to offset any strategies used by retailers to not pass on increased rates to consumers
4. all wine should be taxed by alcohol content, not volume. If it is not possible to determine the exact alcohol content in a product, then the excise tax on wine should be increased from alcohol strength 10% to 14%.
5. all alcohol products should be taxed by the exact amount of alcohol they contain
6. that a Minimum Unit Pricing Policy is implemented to address the availability of cheap alcoholic beverages. This will target heavy drinkers and significantly reduce inequities in alcohol-related harms between income groups.

### ***Background***

Diet, High BMI, and alcohol use are huge contributors to the burden of disease or health loss in New Zealand.

### ***Excise Tax on sugar-sweetened beverages***

Strategic planning and effort needs to be made to reduce obesity, tooth decay, diabetes and other chronic health conditions by reducing the consumption of sugar-sweetened beverages (SSBs). The definition of SSBs used here, includes all water-based non-alcoholic beverages with added sugar including soft drinks, energy drinks, fruit drink, sports drink, cordial and beverages containing non-nutritive sweetener. I recommend that:

1. an excise tax is made on SSBs based on sugar content
2. an excise tax is made on SSBs seeing a price increase of at least 20%
3. annually adjust the excise rates to account for inflation
4. annually adjust the excise rates to offset any strategies used by retailers to not pass on increased rates to consumers
5. Use the revenue generated by tax into initiatives aimed to improve nutrition, and reduce obesity and other related health issues for the people of New Zealand.

Thank you for receiving and considering my feedback and recommendations.