Tax Working Group
Te Awheawhe Tāke

Tax Working Group Public Submissions Information Release

Release Document

September 2018

taxworkingroup.govt.nz/key-documents

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.

Tax Working Group Secretariat
PO Box 3724
Wellington 6140
New Zealand

30 April 2018

Submitters:

Cherry Morgan [1]

Sally Liggins

Thank you for the opportunity to provide feedback to the Tax Working Group. We are experienced public health practitioners with experience primarily in the prevention areas of tobacco, alcohol and obesity.

We are aware that our submission will be released on the Tax Working Groups' website, with our email withheld, and have noted the Official Information Act and privacy considerations that apply.

Tobacco, obesity and alcohol are leading risk factors for non-communicable diseases (NCDs) including cancer, yet all are preventable. Our submission will focus on supporting taxes on unhealthy products (tobacco, alcohol and sugary drinks) that will improve health and reduce inequalities.

Taxing harmful products

There is clear evidence that additional taxes on harmful products incentivises positive behaviour change. Such taxes are also required to reduce consumption and uptake of harmful products.

Increasing taxes on harmful products will also help address negative externalities as well as align the consumer price with the true health, social and other costs of the product.

We recommend:

Tobacco tax

1. Increasing tobacco excise tax by 20% (above inflation) annually.
2. Setting a minimum retail price for tobacco products.

3. Dedicating tax revenue for tobacco control to achieve Smokefree 2025 and supporting quit services.

Alcohol tax

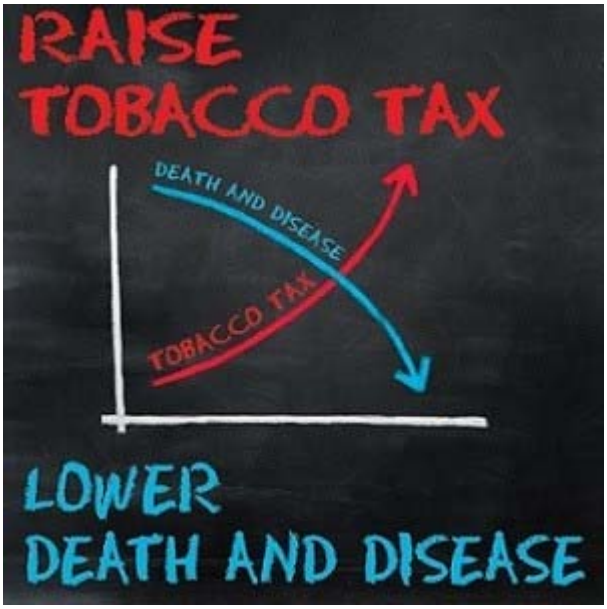
4. Raising alcohol excise tax by at least 50% across all alcohol products to raise the price of alcohol by at least 10%
5. Adjusting excise rates annually to take into account changes in income (and to offset any strategies used by retailers to not pass on increased rates to consumers)
6. Taxing alcohol content, not the volume of the beverage
7. Setting a minimum Unit Pricing Policy to prevent the availability of very cheap alcohol
8. Increasing the level of tax revenue earmarked for health promotion and harm prevention, research and treatment services

Sugary Drinks tax

9. Introduce a tax on sugary drinks that targets manufacturers and importers
10. Revenue raised from taxes on sugary drinks be earmarked for prevention

Tobacco taxes

Tobacco tax increases are the most effective way of reducing smoking prevalence, initiation, consumption and inequalities in smoking.[i] Continued tax increases are important if we are to achieve Government's goal of Smokefree 2025 of under 5% of adults smoking. Tobacco taxes can be justified as a tool to reduce consumption and to address negative externalities of tobacco.



Tobacco tax increases effective

During New Zealand's recent period of annual tax increases, smoking prevalence has further declined along with tobacco sales. Tobacco tax rises have saved and will continue to save thousands of lives in Aotearoa. Tax increases help people to quit and remain smokefree. Crucially, tobacco taxes are very effective in helping prevent young people from experimenting with smoking, becoming addicted, and enduring a lifetime of addiction.

During 2001-2010, tobacco tax only increased in line with inflation. However, since 2010, there have been annual 10 % increases in tobacco tax, in addition to inflation adjustments. The larger increases have made a difference. The evidence shows that tobacco consumption per person reduced during 2010-2016 at about double the rate of that during 2000-2010. [ii]

The difference can also be seen for 'current' (at least monthly) smoking amongst young adults (aged 18 to 24), a key priority group. During 2006/7 to 2011/12, the percentage of smoking barely changed (from 27.7% to 27.3%). However, from 2011/12 to 2016/17, smoking among this group declined significantly from 27.3 per cent to 20 per cent.[iii]

For Māori, there have been encouraging results. Daily smoking among Māori fell by only 1.5% from 2006/7 to 2011/12 (from 39.2% to 37.7%), but fell by 5.2 per cent between 2011/12 and 2016/17 (from 37.7% to 32.5%). [iv] Modelling from Otago University suggests that these benefits to Māori are likely to continue.

Reducing inequalities

There has been some concern expressed about the financial harm to smokers who don't respond to tobacco tax increases. However, there is evidence that such financial harm is small relative to the high level of harm from smoking.[v]

Minimum tobacco price

A minimum tobacco price would help ensure tax increases are even more effective. Currently tobacco companies reduce the effect of tobacco tax increases on smokers by phasing in price increases in stages. Tobacco companies also load extra tax onto higher price brands to enable lower priced tobacco to remain at low prices.

Dedicate tax revenue for prevention and quit services

We strongly support revenue from tobacco taxes being dedicated for tobacco prevention and supporting people to quit. Ethically, the only justification for taxing tobacco is for health gain, not general revenue. New Zealanders, including smokers, are far more supportive of tobacco tax increases when they know that tax revenue will be used for tobacco control or supporting people to quit.

We recommend:

- Increasing tobacco excise tax by 20% (above inflation) annually.
- Setting a minimum retail price for tobacco products.

- Dedicating tax revenue for tobacco control to achieve Smokefree 2025 and supporting quit services.

Further increases in tobacco taxes are very likely to produce further health gain, reduce inequalities and generate cost- savings for the New Zealand health system. Continued tax increases are important to achieve Government's goal of Smokefree 2025.

Significantly increase excise tax on alcohol

Alcohol is a major contributor to the overall burden of death, disease and injury in New Zealand.[vi] Alcohol is also a Group 1 carcinogen (the highest level)[vii] and a risk factor for many cancers.

Costs of alcohol-related harm

The estimated cost of alcohol-related harm to NZ society was $5.3 billion in 2005/6.[viii] Alcohol use is a major contributor to health costs, lost productivity for businesses and to financial costs to society with crime, police and court time and incarceration. We also recognise the harm alcohol has on other people including violent crime and road traffic deaths and injuries. All these problems help justify higher alcohol taxes. People who don't drink alcohol (20% of New Zealanders) and low risk drinkers are unfairly burdened with these costs. We believe that the rates of alcohol excise tax should reflect the cost of alcohol-related harm to society.

Hazardous drinking

Hazardous drinking increases the risk of adverse health and social outcomes for the drinker as well as others. The 2011/12 New Zealand Health Survey estimated that 530,000 New Zealanders aged 15 years and over (15 percent of the adult population) are hazardous drinkers.[ix] In 2016, there were 179,000 more hazardous drinkers in New Zealand than in 2012. [x]

Alcohol consumption increasing

Nearly every group defined by age, ethnicity and sex has increased their drinking since 2011. Women have increased their alcohol consumption the most. There continues to be significant inequities in alcohol-related harm between Māori and non-Māori.

Reducing alcohol consumption is an important and under- emphasised strategy that can help to reduce alcohol-related harm and other health and social costs. Raising the tax on alcohol will provide an incentive to reduce consumption and reduce the growing number of hazardous drinkers.

Today, alcohol is more affordable than it has ever been. Increasing the tax on alcohol has been widely recommended by health experts and through the comprehensive Law Commission Report.[xi]

Tax alcohol content

There is an opportunity to align the level of tax to the alcohol content of beverages rather than the type of drink (e.g. for wine). This would be fairer as currently some beverages are taxed by volume and others by alcohol content. It is the alcohol that causes the harm, not the type of beverage.

Reducing Inequities

Alcohol tax could particularly help prevent hazardous drinkers in low socio economic communities in New Zealand. This is because "Adult drinkers in the most deprived areas were 1.7 times more likely to be hazardous drinkers than adults in the least deprived areas, after adjusting for age, sex, and ethnic differences".[xii] Low income heavy drinkers are shown to benefit the most when prices of alcohol are increased.

Minimum Unit Pricing

We also recommend a Minimum Unit Pricing Policy to prevent the availability of very cheap alcohol. This policy is fair as it targets heavy drinkers and significantly reduces inequities in alcohol-related harms between income groups.

Dedicate tax revenue

Currently a very small proportion of alcohol tax goes to the Health Promotion Agency for alcohol-related health promotion. We strongly support increasing the tax revenue earmarked for prevention, including public health/ prevention work DHBs and NGOs are undertaking.

We recommend:

- Raising alcohol excise tax by at least 50% across all alcohol products to raise the price of alcohol by at least 10%
- Adjusting excise rates annually to take into account changes in income (and to offset any strategies used by retailers to not pass on increased rates to consumers)
- Taxing alcohol content, not the volume of the beverage
- Setting a minimum Unit Pricing Policy to prevent the availability of very cheap alcohol
- Increasing the level of tax revenue earmarked for health promotion and harm prevention, research and treatment services

Introduce a tax on sugary drinks

The Government needs to urgently act to prevent the growing obesity epidemic in New Zealand. The Minister of Health is interested in considering a broad tax on sugar in food and drink. The Tax Working Group can introduce a tax on sugary drinks as the first key step to reducing obesity in New Zealand. This would align with the World Health Organisation's

recommendation to tax sugary drinks.[xiii] Revenue generated by a sugary drinks tax could be earmarked for obesity prevention initiatives particularly in low income communities.

Obesity epidemic in New Zealand

Obesity is linked to a long list of health conditions, including heart disease, diabetes and many types of cancer. Obesity is projected to overtake smoking as the leading risk factor causing health loss in New Zealand.[xiv]

New Zealand has the third highest rate of adult obesity and the fourth highest rate of childhood obesity in OECD countries.[xv] In New Zealand a staggering two thirds of adults (2.4 million) are obese or overweight. One third of children are obese or overweight.[xvi] Furthermore, our rates are rising. Overweight children are more likely to develop into obese adults increasing the risk of cancer and other diseases.

Obesity is the biggest preventable cause of cancer after smoking and increases the risk of 11 cancers.[xvii]

Children and adults living in low income neighbourhoods are much more likely to be overweight or obese.

Why tax sugary drinks?

It is well established that excess sugar is a major contributor to weight gain, obesity, diabetes and tooth decay. Sugary drinks are the main source of sugar for children and young people. Recent research found there is more sugar in New Zealand drinks compared to Australia, Canada and the UK.[xviii]

A sugary drinks tax should be the first food/drink tax in New Zealand as it:

- has the strongest evidence base
- is focused on protecting children (from dental decay, obesity and diabetes in adolescence and cancers in later life)
- is a product with no nutritional value and empty calories

The levy can be targeted at the beverage industry thereby promoting reformulation of the sugar content of drinks.

WHO and the World Cancer Research Fund,[xix] along with The New Zealand Medical Association, the NZ Dental Association and many other national organisations recommend taxing sugary drinks.

More countries are taxing sugary drinks

A number of countries and American cities have introduced a tax on sugary drinks to address obesity and diabetes epidemics. Studies from Mexico, Hungary, Berkley, California and Philadephia, USA, all documented significant declines in sugary drinks consumption following introduction of sugary drinks tax. Low income communities, where obesity and diabetes have the highest prevalence, saw the largest declines in sugary drinks consumed.[xx, xxi]

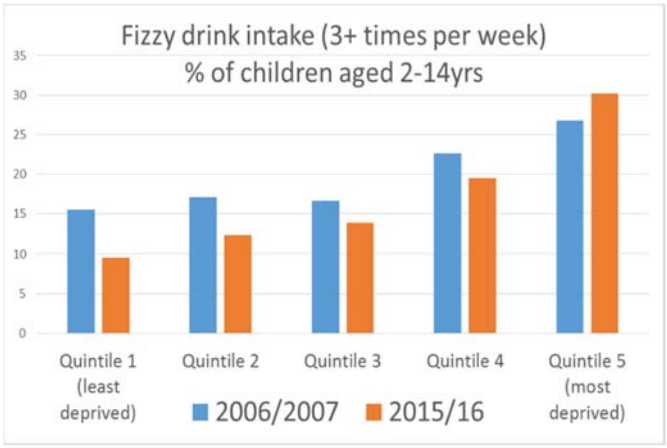
The UK recently introduced a "soft drink industry levy". A number of UK beverage manufacturers reformulated their beverages with a lower sugar content ahead of the sugar tax being implemented on 1 April 2018. One study reported a 10% reduction in sugar content of energy drinks in the UK.

Public support sugary drinks tax

The majority of the New Zealand public support a tax on sugary drinks with a strong increase in support since February 2014.[xxii] Public support would be strengthened further if revenue generated from a sugary drinks tax was used to support community wellbeing initiatives e.g. sports facilities in schools, fruit in schools, healthy school lunches, school dental services.

Reducing inequalities

Young people, especially Māori and Pacific youth, consume the highest amounts of sugary drinks in New Zealand. The WHO recognises that young people and low income consumers get the greatest health benefit from taxes as they are the most influenced by price.[xxiii] A tax on sugary drinks provides an evidenced based approach to reduce health inequalities.



Source: Ministry of Health

Some are concerned about a sugary drinks tax disproportionately impacting on low income communities. However high sugary drink intake, and its negative health consequences, disproportionately impacts on low income communities. Sugary drinks deliver empty calories with little or no nutrition. Evidence from countries that have introduced a sugary drinks tax found a higher decrease in consumption of sugary drinks in low socioeconomic communities.

We recommend:

- **Introducing a tax on sugary drinks that targets manufacturers and importers**
- **Revenue raised from taxes on sugary drinks be earmarked for prevention**

Appendix A: Facts on impacts from smoking, obesity and alcohol

Smoking

- Smoking is the leading cause of preventable death in New Zealand. Every year 5000 people die in New Zealand from smoking related illness[xxiv] with an estimated 1700 people being Aucklanders.
- Every year more than 5000 New Zealand children start smoking[xxv], on average at 14 years.
- The Ministry of Health has acknowledged that smoking is a major contributing factor to health inequalities between Māori and non- Māori.

Obesity

- Obesity is projected to overtake tobacco as the leading risk factor causing health loss in New Zealand.
- Obesity is the single biggest preventable cause of cancer after tobacco[xxvi] and is a significant and growing problem in New Zealand.
- New Zealand has the third highest rate of adult obesity and the fourth highest rate of childhood obesity in OECD countries.[xxvii]
- Overweight or obesity are major risk factors for 11 cancers, as well as many other chronic diseases such as cardiovascular disease and type 2 diabetes.[xxviii,xxix] There is convincing evidence that greater body weight causes cancers of the oesophagus, pancreas, bowel, endometrium, stomach, gallbladder, liver, kidney, ovarian, prostate and breast (in post-menopausal women).[xxx]
- Two thirds of New Zealand adults and one third of children are either overweight or obese.[xxxi]
- The burden of obesity is not equally shared with Māori and Pacific people and those living in low socioeconomic neighbourhoods more likely to be obese or overweight.
- Obesity costs New Zealand $849 million or 0.3% of our GDP in healthcare and productivity costs.[xxxii]

Alcohol

- Alcohol is a major contributor to the overall burden of death, disease and injury in New Zealand.[xxxiii]
- Hazardous drinking increases the risk of adverse health and social outcomes for the drinker as well as others. The 2011/12 New Zealand Health Survey estimated that 530,000 New

Zealanders aged 15 years and over (15 percent of the adult population) are hazardous drinkers.[xxxiv]

- The estimated cost of alcohol-related harm to NZ society was $5 billion in 2005/6.[xxxv]
- Early initiation into alcohol use increases the risk of being a heavy drinker and experiencing alcohol disorders later in life. Young people experience greater harm from alcohol consumption.
- Alcohol has been classified as a Group 1 carcinogen by the World Health Organisations's International Agency for Research on Cancer since 1988. [xxxvi] Over 240 cancer deaths in New Zealand in 2007 were attributable to alcohol consumption.
- Alcohol is a risk factor for many cancers with the risk increasing with the level of consumption. The strength of evidence for a causal relationship between alcohol use and cancer is of the highest level.[xxxvii] The volume of alcohol consumed over one's lifetime is important in determining the risk of developing cancer.
- Breast cancer is the leading cause of alcohol-related death among New Zealand women for both Māori and non-Māori. Even low levels of alcohol consumption, e.g. up to 1 drink per day, increases the risk of breast cancer for females.[xxxviii] Alcohol consumption of more than 3 drinks per day has been estimated to increase the risk for breast cancer by 40-50%.[xxxix]

---

[i] Hiscock R, Branston JR, Mc Neill A, Hitchman SC, Partos TR, Gilmore AB. Tobacco Industry Strategies undermine government tax policy: evidence from commercial data Tob Contol.2017.

[ii] Cited in Dominion Post article 25 January 2018: *Tax Hikes work, Let's not stop there*. Authored by George Thomson, Louise Delany, Janet Hoek, Richard Edwards Department of Public Health, University of Otago, Wellington.

[iii] Ibid

[iv] Ibid

[v] Wilson N, Thomson G. Tobacco taxation and public health: ethical problems, policy responses. Soc Sci Med. 2005;61(3):649-659.

[vi] Ministry of Health. Health Loss in New Zealand: A report from the New Zealand Burden of Diseases, Injuries and Risk Factors Study, 2006–2016. Wellington: Ministry of Health 2013.

[vii] International Agency for Research on Cancer. IARC monographs on the evaluation of carcinogenic risks to humans. Volume 44. Alcohol drinking. Lyon, France: International Agency for Research on Cancer 1988.

[viii] Slack, A., Nana, G., Webster, M., Stokes, F., & Wu, J. (2009). Costs of harmful alcohol and other drug use. BERL Economics, 40. http://www.springhilltrust.co.nz/assets/files/BERL-200907-Costs_of_Harmful_Alcohol.pdf

[ix] Ministry of Health. Hazardous Drinking in 2011/12: Findings from the New Zealand Health Survey. Wellington: Ministry of Health. 2013.

[x] Ministry of Health. Hazardous Drinking in 2015/16: Findings from the New Zealand Health Survey. Wellington: Ministry of Health.

[xi] Law Commission: Alcohol in Our Lives: An Issues Paper on the reform of New Zealand's liquor laws. Wellington: Law Commission; 2009.
[xii] Ministry of Health. Annual Update of Key Results 206/17: New Zealand Health Survey. Wellington. Ministry of Health, 2017.
[xiii] WHO (2017) Report of the Commission on Ending Childhood Obesity Website: http://apps.who.int/iris/bitstream/10665/259349/1/WHO-NMH-PND-ECHO-17.1-eng.pdf?ua=1

[xiv] Ministry of Health. Health Loss in New Zealand: A report from the New Zealand Burden of Diseases, Injuries and Risk Factors Study, 2006–2016. Wellington: Ministry of Health 2013.
[xv] OECD. Better Policies for Better lives. Obesity Update 2017 Website: https://www.oecd.org/els/health-systems/Obesity-Update-2017.pdf
[xvi] Ministry of Health. New Zealand Health Survey: 2016/17 Website: **https://www.health.govt.nz/nz-health-statistics/health-statistics-and-data-sets/obesity-statistics**

[xvii] World Cancer Research Fund International. Weight and cancer Website: http://www.wcrf.org/int/cancer-facts-figures/link-between-lifestyle-cancer-risk/weight-cancer.
[xviii] Cited in Media Article 16 January 2018 Sugary drinks- NZ worse than Canada, UK and Australia, study finds. Website: https://www.stuff.co.nz/national/health/100581810/sugary-drinks--nz-worse-than-usa-uk-and-australia-study-finds
[xix]

[xx] Colchero MA, Popkin BM, Rivera JA, Ng SW. Beverage purchases from stores in Mexico under the excise tax on sugar sweetened beverages: observational study. *BMJ* 2016 Jan6:352:h6704. Website: http://www.bmj.com/content/352/bmj.h6704 Accessed January 24 2018.
[xxi] Cited in Lancet editorial (2017) Sweet Success: will sugar taxes improve health? *Lancet Diabetes and Endocrinology* Vol 5 April 2017, P.235. Website: http://www.thelancet.com/pdfs/journals/landia/PIIS2213-8587(17)30070-0.pdf. Accessed on 30 January 2018.
[xxii] Cited in New Zealand Beverage Guidance Panel (2017) Policy Brief: A sugary drink tax for New Zealand. Website: https://www.fizz.org.nz/pdf/NZBGP%20Policy%20Brief%20-%20Sugary%20Drink%20Tax%20for%20New%20Zealand%202017.pdf
[xxiii] World Health Organisation. Taxes on Sugary drinks: Why do it? Website: http://apps.who.int/iris/bitstream/10665/250303/1/WHO-NMH-PND-16.5-eng.pdf. Accessed 22 January 2018.
[xxiv] Statistics New Zealand NZ social Indicators Retrieved on 9.3.2017 from: http://www.stats.govt.nz/browse_for_stats/snapshots-of-nz/nz-social-indicators/Home/Health/tobacco-smoking.aspx
[xxv] Figure derived from Edwards R, Carter K, Peace J & Blakely T. 2013. An examination of smoking initiation rates by age: results from a large longitudinal study in New Zealand. *Australian and New Zealand Journal of Public Health* 37: 516–519. doi: 10.1111/1753-6405.12105. and information from the NZ Statistics population pyramid for the year 2008. http://www.stats.govt.nz/tools_and_services/interactive-pop-pyramid.aspx
[xxvi] Cancer Research UK Website: https://www.health.govt.nz/nz-health-statistics/health-statistics-and-data-sets/obesity-statistics Accessed January 30 2018.
[xxvii] OECD. Better Policies for Better lives. Obesity Update 2017 Website: https://www.oecd.org/els/health-systems/Obesity-Update-2017.pdf
[xxviii] World Cancer Research Fund International. Weight and cancer Website: http://www.wcrf.org/int/cancer-facts-figures/link-between-lifestyle-cancer-risk/weight-cancer. Accessed 24 January 2018.
[xxix] Ministry of Health Obesity website Accessed https://www.health.govt.nz/our-work/diseases-and-conditions/obesity
[xxx] World Cancer Research Fund International. Weight and cancer Website: http://www.wcrf.org/int/cancer-facts-figures/link-between-lifestyle-cancer-risk/weight-cancer. Accessed 24 January 2018.
[xxxi] Ministry of Health (2014) New Zealand Health Survey, 2014. Available at: http://www.health.govt.nz/nz-health-statistics/national-collections-and-surveys/surveys/current-recent-surveys/new-zealand-health-survey
[xxxii] Healthy Auckland Together Monitoring Report Summary 2017 How's Auckland Doing? Website accessed 21.3.2018. http://www.healthyaucklandtogether.org.nz/assets/Summary-Reports/170401-HAT-Monitoring-Report-Summary-HR.pdf
[xxxiii] Ministry of Health. Health Loss in New Zealand: A report from the New Zealand Burden of Diseases, Injuries and Risk Factors Study, 2006–2016. Wellington: Ministry of Health 2013.

[xxxiv] Ministry of Health. Hazardous Drinking in 2011/12: Findings from the New Zealand Health Survey. Wellington: Ministry of Health. 2013.

[xxxv] Slack, A., Nana, G., Webster, M., Stokes, F., & Wu, J. (2009). Costs of harmful alcohol and other drug use. BERL Economics, 40. http://www.springhilltrust.co.nz/assets/files/BERL-200907-Costs_of_Harmful_Alcohol.pdf

[xxxvi] International Agency for Research on Cancer. IARC monographs on the evaluation of carcinogenic risks to humans. Volume 44. Alcohol drinking. Lyon, France: International Agency for Research on Cancer 1988.

[xxxvii] Cancer Society of New Zealand (2014) Position Statement on Alcohol Website accessed 6 March 2018. https://wellington.cancernz.org.nz/assets/Positions-Statements/Alcohol-and-Cancer-Risk-26Jun2014.pdf

[xxxviii] Ibid

[xxxix] Seitz, H. K, Pelucchi, C, Bagnardi, V, et al. 2012. Epidemiology and pathophysiology of alcohol and breast cancer: Update 2012. Alcohol and Alcoholism, 47, 204-212.