

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

### **Release Document**

**September 2018**

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Dear Sir/Madam

**Waikato Regional Council Submission to the Tax Working Group.**

Please find attached the Waikato Regional Council's submission in regard to the Future of Tax Submissions Background Paper. Should you have any queries regarding the content of this document please contact Blair Keenan, Principal Economist directly on [1] or by email [1]

Regards

[1]

Vaughan Payne  
**Chief Executive**

## Submission by

# Waikato Regional Council to the Tax Working Group

27 April 2018

## 1.0 INTRODUCTION

1.1 Waikato Regional Council (the council) appreciates the opportunity to make a submission to Tax Working Group in response to the Future of Tax background paper.

1.2 Our contact details are:

Waikato Regional Council  
Private Bag 3038  
Waikato Mail Centre  
Hamilton 3240  
(07) 859 0999  
Attention: Vaughan Payne, Chief Executive

## 2.0 GENERAL COMMENTS

2.1 Current policy settings in New Zealand make it difficult in practice for local authorities to achieve their statutory purpose of providing for the wellbeing of their respective communities now *and in the future*, and to perform their functions under the Resource Management Act 1991 (RMA) to promote the *sustainable use of natural resources*. Regulation, as the primary tool available under the RMA, has proved too cumbersome to address these issues on its own<sup>1</sup>. As a result, there are significant uncorrected externalities that result in the overuse of resources and the loss of natural capital. These losses undermine social, and physical/financial capital, and ultimately the wellbeing of New Zealanders.

2.2 We submit that public policy interventions should be considered holistically, regardless of the spatial level of delivery. We note that other tools, rather than taxes (such as regulation, incentive schemes, and trading systems) may provide answers in some cases, and consider it is important that this review does not close off options that may be appropriate.

## 3.0 LOCAL GOVERNMENT RATES

3.1 It is recognised that the Tax Working Group does not plan to consider local government funding (as noted on page 22 of the background paper), but we consider that the funding of public policy issues – whether at a national or local level – are relevant to this review. Property-based rates are one of the three broad forms of tax in New Zealand (the others being income-based and consumption-based), and are administered by local authorities. It is noted that changes to the other forms of tax are likely to have implications for rates (for example, implications for the affordability of rates), and consider that the Tax Working Group should bear this in mind.

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<sup>1</sup> This issue is explored more fully in the council's Waikato Freshwater Strategy/Te Rautaki Waimāori mō Waikato (<https://www.waikatoregion.govt.nz/council/policy-and-plans/waikato-regional-freshwater-strategy/>).

- 3.2 A specific point in relation to rates is the current situation whereby goods and services tax is charged on rates. This represents a consumption-based tax levied on a property-based tax, and we submit that rates should be exempt from GST.

#### **4.0 FUNDING INFRASTRUCTURE**

- 4.1 Page 10 of the background paper notes that there is a need for “...a sustainable revenue base...” to fund the Government’s operations. This objective is shared by local authorities. However, local government across New Zealand is struggling to maintain physical infrastructure, and to provide for changing demographics (such as population growth or decline). In the case of the Waikato Regional Council, there are specific challenges involving flood protection and drainage infrastructure.
- 4.2 One issue is that some beneficiaries of the infrastructure are exempt from paying for it, resulting in a lower than optimal level of service *and/or* significant subsidies from local communities to ‘external’ beneficiaries. In particular, it is noted that the Report of the Local Government Rates Inquiry<sup>2</sup> in 2007 found that Crown land should *not* be exempt from rates. We support that finding in respect of Crown land that generates revenue or creates significant economic benefits (for example, the benefits to the wider population of New Zealand from the state highway and rail networks).

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<sup>2</sup> Available via the National Archives at <http://ndhadeliver.natlib.govt.nz/ArcAggregator/arcView/frameView/IE12126512/http://www.dia.govt.nz/Agency-Independent-Inquiry-into-Local-Government-Rates-Index>