

Tax Working Group Public Submissions Information Release

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Tax Working Group

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Submission From:

National Community Action on Youth and Drugs (CAYAD) Advisory Group

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About the submitters

This submission is from the National Community Action on Youth and Drugs (CAYAD) Advisory Group. The group comprises 5 CAYAD coordinators drawn from the programme's 21 sites around Aotearoa, and two national coordinators from Massey University. Together we provide national leadership and development for the CAYAD programme.

This submission provides comments and recommendations that broadly agree with the experience and views of the CAYAD workforce, however it does not necessarily reflect the views of every individual or organisation delivering the CAYAD programme.

Introduction

The CAYAD programme is positively focused on increasing community wellbeing and preventing harm from alcohol and other drugs, and operates in 21 communities around New Zealand, including several locations with predominantly Māori populations (www.cayad.org.nz). CAYAD is a public health programme, funded by the Ministry of Health. We welcome this opportunity to make a submission to the tax working group (TWG).

As an evidence-based programme, CAYAD recognises that major determinants of alcohol and drug problems are socio-economic disadvantage and inequality, alongside excess availability of very cheap alcohol and illicit drug supply. Therefore CAYAD aims to enhance education and employment opportunities for young people, and to help communities develop policies and practices that reduce the availability and harmful use of substances.

We recognise the pivotal role taxation plays in addressing the determinants of good physical and mental health, such as funding universal education, critical income and housing support, and social services. Excise taxes also have unrivalled impact on preventing population level harm from alcohol and tobacco. Therefore our submission focuses on both excise tax and a

stronger and more progressive tax system that will minimise socio-economic inequities. We strongly advocate using these taxes to create healthy whanau/family and community environments as the foundation to healthy and well youth/rangatahi.

Our submission covers the following areas:

1. Te Tiriti o Waitangi and the consultation process
2. Improving the taxation system to reduce inequalities and child poverty
3. Support for specific taxes on alcohol and other substances
4. Summary of recommendations

Te Tiriti o Waitangi

Te Tiriti o Waitangi guarantees Māori protection over all their lands and treasures, and rights for equal treatment as citizens of Aotearoa. However, the reality of colonisation was so destructive (to what was an economically strong and healthy population) that the Māori population today continues to experience gross inequality in most social and health indicators, including alcohol-related harm.

We believe the tax system plays a very important role funding economic development and redress to help move forward from the many injustices perpetuated against Māori by the government.

CAYAD communities also use their local environment as a highly valued resource for providing recreation, learning and employment opportunities for young people, while strengthening identity and confidence as Māori. The land, rivers, waterways, climate and seas are inextricably linked to Māori wellbeing, physically and spiritually. These resources have all declined significantly in quality, and require greater protection in our growing global marketplace. We therefore support the proposed use of taxes to more strongly protect our natural resources and climate.

We cannot speak for all our communities to make specific recommendations on these issues. However, all sites repeatedly tell us that strong and culturally appropriate consultation processes, conducted kanohi ki te kanohi (face to face) are critical to policy development. Instead, most policy development processes are conducted in Wellington, online or in writing, and are typically too distant or inaccessible from people's everyday lives in rural communities. This disenfranchises Māori from conversations central to their future wellbeing.

Therefore in accordance with the guarantees of Te Tiriti for equal citizenship and protection, and the principle of partnership, ***we recommend:***

1. That the TWG conducts consultation hui or a roadshow visiting main cities and regional towns of New Zealand,
2. That the consultation considers:
 - a) using tax to encourage greater protection of the environment and land
 - b) the impact of the present tax base and its distribution on inequality
 - c) providing economic redress for Māori, including how the tax system might better support Māori economic ventures
 - d) How tax could be used to achieve more equitable employment rates for Māori

Tax system and inequalities

In recent years, inequalities in health and many social indicators have increased. In particular, homelessness, poverty and child poverty have grown. As noted in the background paper, rising housing costs have contributed significantly to widening income inequality. This poverty and disadvantage places children at greater risk of adverse outcomes in nearly every area of health and wellbeing. This is in fundamental conflict with New Zealand's social values – as seen in the broad political support for reducing child poverty in the recent election debates. It also contradicts our responsibilities under the United Nations Convention on the Rights of the Child.

In this context we strongly recommend:

3. Placing social wellbeing as the guiding outcome for the tax system and social policy in Aotearoa New Zealand.
4. Achieving a higher overall tax take in order to invest more heavily in actions to reduce inequalities, including essential income supports, social and health services, education, work readiness programmes and economic development.
5. To reduce inequalities, maintain and enhance the progressive tax system, while investigating other tax sources that do not burden the least well off.
6. Consider reducing GST (which contributes to inequalities) while offsetting the lost revenue using other sources of tax.
7. Taking steps to tax the housing market efficiently and to constrain ballooning housing costs, such as a capital gains tax. We also suggest assessing ways to use tax incentives to improve the quality of rental housing.

Taxing addictive substances

We view excise taxes as an essential tool for increasing wellbeing by reducing harm from addictive legal substances, most notably alcohol and tobacco, and in the future potentially cannabis and synthetic psychoactive substances.

Some 50,000 people receive treatment for substance use each year, yet the Mental Health Commission of 2011 noted a further 50,000 who wanted treatment did not receive it. In the case of alcohol, hazardous drinking in New Zealand has been increasing since 2011. Further, it was recently found that nearly 40% of all alcohol sold in New Zealand is consumed in heavier drinking sessions (occasions of 8 or more standard drinks for men, and 6 or more standard drinks for women).¹

We believe specific taxes to discourage problematic use of drugs are strongly warranted for several reasons:

- The addictive nature and intoxicating effects of drugs take choice away from a significant proportion of their consumers
- Alcohol and other drug use imposes significant harms on others

¹ Casswell, S., Callinan, S., Chaiyasong, S., Pham V, C., Kazantseva, E., Bayandorj, T., Huckle, T., Parker, K., Railton, R., Wall, M. (2016). How the alcohol industry relies on harmful use of alcohol and works to protect its profits. *Drug and Alcohol Review*, 35(6), 661-664. doi: 10.1111/dar.12460

- The cost of managing preventable alcohol related harm reaches billions of dollars, paid for by drinkers and non-drinkers alike. This is both a direct cost and diverts funding away from education and other public good investments.

Alcohol and tobacco taxes are known to provide particularly effective protection for young people and heavier users; the many benefits of raising prices via tax include:

- *Demonstrated reductions* in consumption and related harm at a population level.
- *High efficiency*– it targets those most at risk of harm (and of harming others) while *generating revenue*.
- *Stronger effects on young people* as they are more price sensitive and are frequent consumers of alcohol and other drugs. Young people have the greatest potential health and productivity gains from delaying or reducing alcohol and other drug use due to their stage of physical and mental development, and stage of education.
- *Stronger effects on frequent and heavier users*, who are at greater risk of harming themselves and others.
- *Excise revenues can offset some of the high cost of harm* to the individual and others they directly impact, particularly the high social costs of managing and responding to such harm.

Therefore we recommend:

8. The TWG support the consensus among public health experts that excise taxes should be maintained and promoted as a crucial tool to prevent and minimise harm from alcohol, tobacco and other substances of dependence.

Using excise taxes to reduce harm from alcohol

Increasing excise tax (and consequently the price for alcohol) is the most effective known measure for reducing hazardous drinking; a meta-analysis by Wagenaar et al. concludes there is “*statistically overwhelming evidence of effects of alcohol prices on drinking... We know of no other preventive intervention to reduce drinking that has the numbers of studies and consistency of effects seen in the literature on alcohol taxes and prices.*”²

Hypothecating tax on alcohol for prevention and treatment services helps to justify the tax to the public, and has considerable support; Alcohol Healthwatch, in a recent UMR poll, found almost two-thirds of people polled supported increasing the price of alcohol to fund mental health and addiction services.

However, instead of using this popular and important tool to good effect, New Zealand collects nowhere near enough alcohol excise tax to offset the costs of alcohol related harm. Further,

² Wagenaar, A., Salois, M. & Komro, K. (2008) Effects of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies. *Addiction*. 104, 179–190.

since 1988, alcohol has become *more affordable* in New Zealand relative to income^{3,4}, and the real price of wine has in fact dropped:

“The real price of wine is 30 percent lower today than it was in 1988. This is reflected in supermarket prices where bottles of wine can now be purchased for \$5.99.”

– Nicki Jackson, Alcohol Healthwatch: <http://www.ahw.org.nz/News-Events/Media-Releases/Media-Release-Heaviest-drinking-quarter-since-new-liquor-laws-came-into-effect>

Thus New Zealand’s alcohol tax policy has allowed alcohol prices to drop, which will most likely have *added to alcohol-related harm* in New Zealand over recent decades.

To reverse this trend, we strongly urge uptake of the following recommendations, similar to more detailed work the TWG will receive from the SHORE & Whariki Research Centre; the University of Otago public health department and Alcohol Healthwatch:

9. Raise alcohol excise rates by 100% across all alcohol products to raise the price of alcohol.
10. Ensure the present regular adjustments to excise rates also offset any changes in income (not only the consumer price), and offset any strategies used by retailers to not pass on increased rates to consumers.
11. Calculate rates of excise tax on 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%.
12. The existing level of tax hypothecation should be increased. We suggest additional funding is established to support:
 - a. Increasing funding for mental health services generally, and for on-site mental health services in all high schools
 - b. Development of evidence based prevention programmes that are delivered on a national basis
 - c. Community based prevention efforts that will support mental health through better connected communities and meaningful local enterprise
 - d. Long term funding for community action programmes, including ongoing evaluation support and professional development for practitioners. Year to year funding cycles make continuity of staff and programmes more difficult to maintain.

³ Wall, M., & Casswell, S. (2013). Affordability of alcohol as a key driver of alcohol demand in New Zealand: a cointegration analysis. *Addiction*, 8(1), 72-79

⁴ Health Promotion Agency. (2018). *Trends in affordability of alcohol in New Zealand*. Wellington. <https://www.hpa.org.nz/sites/default/files/Final%20Report%20-%20Trends%20in%20affordability%20of%20alcohol%20in%20New%20Zealand%20April%202018.pdf>

Summary of recommendations:

1. That the TWG conducts consultation hui or a roadshow visiting main cities and regional towns of New Zealand,
2. That these consultation hui consider:
 - e) using tax to encourage greater protection of the environment and land
 - f) the impact of the present tax base and its distribution on inequality
 - g) providing economic redress for Māori, including how the tax system might better support Māori economic ventures
 - h) How tax could be used to achieve more equitable employment rates for Māori
3. Place social wellbeing as the guiding outcome for the tax system and social policy in Aotearoa New Zealand.
4. Achieve a higher overall tax take in order to invest more heavily in actions to reduce inequalities, including essential income supports, social and health services, education, work readiness programmes and economic development.
5. To reduce inequalities, maintain and enhance the progressive tax system, while investigating other sources that do not burden the least well off.
6. Consider reducing GST (which contributes to inequalities) while offsetting the lost revenue using other sources of tax.
7. Take steps to tax the housing market efficiently and to constrain ballooning housing costs, such as a capital gains tax. We also suggest assessing ways to use tax incentives to improve the quality of rental housing.
8. Support the consensus among public health experts that excise taxes should be maintained and promoted as a crucial tool to prevent and minimise harm from alcohol, tobacco and other substances of dependence.
9. Raise alcohol excise rates by 100% across all alcohol products to raise the price of alcohol.
10. Ensure the regular adjustments to alcohol excise rates also offset any changes in income (not only the consumer price), and offset any strategies used by retailers to not pass on increased rates to consumers.
11. Calculate rates of excise tax on 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%.
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