

Tax Working Group Public Submissions Information Release

Release Document

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SUBMISSION TO WORKING PARTY ON TAX

A simple question. Why do we tax housing to pay for roads?

It is a legacy from the 19th century. Then, land tax (local body rates) was the logical way to pay for roads. This was when horses and carts were the predominate road users.

Is this funding method still appropriate in the 21st century? I think not! Twenty first century methods of funding roading costs are fuel levies and toll roads.

Taxes of some sort are needed to pay for roads, but in 2018 why do we continue to tax housing to pay for roads? What is the justification for this? Why not tax motorists?

Road congestion is demand exceeding supply. In economics 101 I was taught that means the price should rise to reduce demand. In NZ the opposite happens. Subsidies from rates and other taxes rise to pay for more roads. This means unrealistically cheap costs of motoring encourage more users and therefore more congestion.

Can demand be reduced without causing economic harm? Reducing demand and therefore congestion delays would have economic benefit! Transport experts would certainly be able to identify non-harmful demand reductions.

What do price rises mean in travel costs? A vehicle using 10 l/100km, a 10c rise per litre is 1 cent per kilometer. Modern vehicles use much less fuel than this example. But the economic signal of 'user pays' is more significant.

I am not advocating any more, nor any less be spent on roading, but motorists should be taxed not housing! The rates contribution to roading costs should be eliminated and replaced with a fuel levy; and there needs to be a mandatory equivalent compensating reduction in rates.

About three years ago a Herald pie graph showed 8%⁽¹⁾ of Auckland households did not run a car. I thought then that this anomaly was an injustice that they paid a rates contribution for roading they did not use; and even more so when later research showed every Auckland household payed a \$750 subsidy for roads in 2016, and another \$150 for public transport.

Fund roads by taxing motoring not housing!

(1) I cannot remember if the figure was 8%, $\frac{1}{12}$ or 12%, $\frac{1}{8}$. Either way that anomaly outweighs any argument to continue the current method in my opinion.

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[1]

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