

Tax Working Group Public Submissions Information Release

Release Document

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Submission to the Future of Tax – Submissions Background Paper

From: Paul and Ann Jarman

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If there is an opportunity to present our submission in Christchurch we would like to speak to the working group.

This submission is made by Paul and Ann Jarman.

We own a 400 hectare farm near Darfield in Selwyn, Canterbury.

We milk 750 cows plus replacements, 500 super fine merinos +replacements and grow 50 Ha of crops.

The farm was established by Paul's great-great grandfather in the early 1860s and has been owned by the family for over 150 years.

We installed irrigation in the 1980s, and 8 staff work on our farm.

We have a strong commitment to improving the environmental management of our farm. We were lucky to receive the Gilbert scholarship which allowed him to visit England and study environmental management systems operating on farms there. We have also received 4 special awards in the Ballance Farm Environment Award Competition.

Paul has always read, attended field days and worked with consultants to ensure the farm uses the best evidence based practices to farm profitably and in harmony with the environment.

A LAND TAX

We have significant concerns about the impact a land tax could have on our property and on other farmers across New Zealand. We already effectively pay a land tax because most of our local body rates are based directly or indirectly on the farms land area.

Given that over 80% of New Zealand's taxable land area is in the ownership of farmers, along with urban business owners, farmers are one of the main groups being targeted to pay a land tax.

The amount of the land tax to be raised is unclear but as we own a reasonably large farm of over 400 hectares we would assume this would be in excess of \$20,000 or \$30,000 every year for our property.

We note that in the discussion paper a land tax is described as an efficient tax because land is in fixed supply. We assume it is seen as efficient as the tax would encourage land to move to the highest value uses.

While a landowner in the city can convert their land to a higher income generating activity, we are told that land use intensification is the cause of many of the farm generated environmental issues eg to maximise return on the dairy platform we should carry over 4 cows per ha. However, a more environmentally prudent approach [led by the Lincoln Dairy Unit] is to reduce cow numbers closer to 3.5 per ha.

Should we pay for these extra costs by selling land to lifestyle blocks and thus taking it out of productive farming use? The government has rightly pointed to the national consequences of 35,000

ha pa being lost to productive farming. Under regional Environment Canterbury planning rules there are also restrictions on how we can use our farm. In fact, we are willingly working with Ecan to reduce any nutrient management issues caused by intensive farming. We have embraced techniques like direct drilling to significantly reduce our carbon emissions and will be no doubt be investing more into animal breeding and stock feed as part of our attention to changing our carbon profile.

A land tax does not create an incentive to shift to higher value generating activities for farmers. Our incomes are limited by the very fluctuating international market, investing in best environmental practices is costly in time and money. We already pay a land tax through the local government rating system and their 10 year plans look as if those rates are going to increase significantly more than the CPI. On a limited budget we cannot pay for everything.

Most of the planning rules are in place because Councils recognise that farming is a significant source of income for the country, and because they want to protect productive land. They are also in place because urban New Zealanders and tourists enjoy looking at world leading agriculture beside undeveloped natural landscape. They don't come to see cities or industrial areas.

These rules restrict how farmers can use their land, and also provide a benefit to our economy, to the tourism industry and to New Zealanders who recognise the New Zealand landscape as both our parks and beaches but also our countryside farming land.

Imposing a land tax on farmers while having very restrictive rules on how our land is used which are designed to benefit all New Zealanders is unfair. We cannot switch to other land uses and because of this we have a limited ability to pay a new land tax. We note that in Europe where there are such restrictions on land use, farmers are usually paid for their care of the land!

A WATER TAX

We calculated that at 2 cents per 1,000 litres of water we would pay around \$30,000 every year in a water tax for our farm.

We first installed irrigation on our farm in the 1980s. At that time government policy was to encourage farmers to develop irrigation as MAF advisors promoted the benefits it provided.

Since then we have expanded our irrigation system which is currently sourced from groundwater. As cropping farmers, irrigation provides certainty that we would be able to meet contract requirements around crop yield and quality which suppliers specified. The requirement for irrigation is driven not just from farmers, but from suppliers, supermarkets and consumers who want a regular supply of food. They purchase and sell what we produce by the tonne not by the Ha we plant so they will only usually enter into contracts with irrigated farms.

We also have a small flock of merino sheep on the farm. Irrigation has helped ensure that we know that we can feed sheep if needed and this is beneficial for animal health and welfare.

We currently have 800 cows on the farm and irrigation is necessary to supplement rainfall and grow grass.

We are shareholders in Central Plains Water (CPW) and will start using the water when stage 2 of the scheme opens this spring.

The scheme was initiated by Selwyn District Council and Christchurch City to protect the aquifers of Canterbury, as well as to enhance the economy of Selwyn and Christchurch by expanding the use of irrigation to generate more employment and income.

On a financial level committing to CPW did not make sense, as water from the scheme is significantly more expensive than sourcing our water from groundwater. However we, like our fellow farmers signed up to an intergenerational investment in our community, one that is committed to the health of our aquifers and that gives us resilience to the challenges of climate change.

The farmers who signed up to the scheme are not international businesses, we are family owned businesses.

In investing in CPW we are already paying an environmental water tax as the water we now use is significantly more expensive. Through shifting many farms from using groundwater to alpine water, aquifers will be allowed to recharge. This will benefit other water users in Selwyn as well as groundwater fed streams such as the Selwyn River.

The environmental requirements CPW must meet under its consent rules are very high and every farm is responsible for meeting these rules. We have been clearly told that if we breach any of the environmental requirements we will have our water shut off, creating a very strong incentive for everyone to follow best practice all of the time.

Many other farmers who draw water from irrigation schemes also have additional environmental requirements in place at a scheme level, which other farmers or water users do not have.

A water tax will make schemes like Central Plains Water, which have desirable environmental outcomes, less viable by making the cost of water more expensive.

Water quality across New Zealand

We note that many water quality issues like nitrogen, phosphorus and poor macroinvertebrate health affect both regions with significant irrigated land area and regions with little irrigation.

We also note that, according to the Ministry for the Environment, the regions with the least swimmable rivers are all located in regions with little irrigation – Auckland (62% of rivers graded poor for swimming), Northland (48% of rivers graded poor for swimming), Waikato (44% of rivers graded poor for swimming), and Southland (29% of rivers graded poor for swimming).

Around 60% of New Zealand's irrigated land is located in Canterbury (which has 4% of rivers graded poor for swimming), with Otago (9% of rivers graded poor), Hawkes Bay (2% of rivers graded poor) and Marlborough (1% of rivers graded poor), also having significant areas of irrigated land.

We would question why it is reasonable or fair that a small group of farmers using irrigation in east coast regions where swimmability is good should fund the cost of cleaning up waterways in other regions with poor water quality.

This is not how an environmental tax should work. An environmental tax should penalise those who are polluting and tax them so that they change their behaviour.

But a water tax would allow regions with poor water quality to do nothing to change behaviour while having the cost of cleaning up their waterways subsidised by a small group of irrigating farmers from other regions.

A water tax removes money to make environmental improvements and invest in water efficiency

We plan to install additional centre pivots and switch from using an older rotor rainer irrigator to all centre pivots. Centre pivots are the most efficient irrigation system available.

Imposing a water tax would mean that we will not be able to invest in more water efficient irrigation systems and it will have the same effect on other farmers.

Under Environment Canterbury rules we will have to reduce nitrogen leaching on our farm by 30% by 2022. Other dairy farmers in our district have to meet the same requirements. We will be looking at a variety of ways to do this – through new crop types or research. This may reduce our income level as we trial crops that reduce leaching but have an impact on milk production. Imposing a water tax at the same time as we are trying to find ways to reduce our environmental impact seems unreasonable.

We are currently replanting our property in mixed natives to create a corridor to attract native birds. A water tax would reduce the amount of money we have available to do this, and we would likely not proceed with this project.

Like most other Canterbury farmers we are proud of our farm environment plans which have an expectation that we will be lifting our environmental performance and reducing our impact over time, meaning that we are operating in an environment where the bar is continually being lifted.

HIGHER FUEL TAX

We note there is a proposal by the government to raise fuel tax across New Zealand primarily to fund public transport projects.

Fuel taxes are paid disproportionately by rural New Zealanders as we have to travel further to access services. Electric cars are not really an option when you travel significant distances.

We have no public transport services near our property we can access and have no choice but to use cars or trucks. As there are no plans to develop public transport to our area, while we would pay more for petrol, we would not benefit from this additional charge.

CUMULATIVE IMPACT OF TAXES

When we start to add up the impact a land tax, water tax and additional fuel tax could have on our farm, we could be looking at an additional \$50,000 - \$100,000 per year in taxes for our farm.

We invest most of our farm income in debt repayment to repay the costs of belonging to Central Plains Water.

These additional taxes would be a challenge and the easy solution would be to sell or to be minimally compliant. That's not our way. Rural NZ wants to pay its way. We don't live in a wealthy suburb. Our children attend a school where children from all sectors of our community. We pay taxes to support those amongst us who need it. We also understand that by living in the country we have poorer access to all health and welfare services. WE also have jobs that demand 12-14 hour days every day of the year. We do more than our share for our people and environment and are quite angry at how farmers are often portrayed using inaccurate slogans

I am pleased that you are asking for our input into this important debate. Remember for taxes to be successful they must be simple, fair and easy to implement. That means significant research. The plans we are following to improve water quality, carbon and nutrient management are not the result of a simple media slogan, they came from a generation of hard, inclusive discussion based on sound science. I expect nothing less from your tax working group. Thank you for considering this submission from ordinary New Zealand farmers

