

Tax Working Group Public Submissions Information Release

Release Document

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- [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.

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Edward Challies
[1]

30 April 2018

To Whom It May Concern,

RE: Tax Working Group: Future of Tax Consultation

Thanks for the opportunity to make a submission. To me, a future tax system must do more to mitigate environmental degradation caused by our key productive sectors. Taxation should be designed to reflect and **mitigate environmental and social costs of private economic activity**, and to incentivise environmentally and socially responsible behaviour. A water tax may be one example, but there is a need to think more broadly about the appropriation and use (an in many cases misuse) of our collective natural capital by private businesses – I am referring to commons such as water, soil, air, landscapes and other natural resources.

In particular I am concerned at the ability of individual and collective private enterprises to **appropriate natural capital**, and secure this for an apparently indefinite time, with no tax on the proceeds. What is more, this appropriation is often subsidised by taxpayers and ratepayers on the (invariably unproven) argument that it will drive regional economic growth that will spill over to benefit everyone. This is usually based on privately commissioned (e.g. NZIER) economic modelling, but rarely substantiated empirically after the fact – and such cases would benefit from a requirement for formal evaluation and per review (by e.g. Treasury, the Productivity Commission, or the Office of the Auditor General).

For example: A group of private businesses (mostly irrigators) want to see a large irrigation dam and augmentation scheme built in their District. The scheme is prohibitively expensive for many land owners on a per hectare basis, but some of the largest and most intensive businesses can easily afford to buy shares in the scheme. The District Council announces that ratepayers will contribute a large share due to the supposed common-good benefits that they will all enjoy as a result of improved flows in the river. Furthermore, taxpayers nationwide will pay, as the scheme is allocated funds from the Freshwater Improvement Fund (on the basis that it will address the environmental problem of low flows arising from over-allocation). The Council will use the Public Works Act to help the irrigators acquire the necessary land for the dam.

We end up with a situation where a relatively small group of business owners, who happen to be able to afford it, are allowed to dam a public river, tap into public money (in the form of rates and tax dollars), and appropriate natural capital (in this case water) and perhaps secure quasi-private property rights over water, and benefit from future appreciation in the value of that resource. In many parts of the world this has been referred to as ‘water grabbing’. All is premised on the dubious assertion that these benefits will trickle down to benefit everyone.

I suggest there is **a need to look at the feasibility of a tax on the speculative appropriation of natural resources**, and limitations on 'natural capital grabbing' in order to ensure a socially just and environmentally sustainable use of our common pool natural resources such as, but not limited to water, air, soil, minerals, biodiversity etc. There must be a way to achieve this while not unduly stifling entrepreneurialism, innovation and development. Ultimately, though, the equity and sustainability outcomes should be prioritised through the tax system, and our productive sectors must be profitable without massive social and environmental externalities going unaddressed.

Thank you,

Ed Challies