



Tax Working Group Public Submissions Information Release

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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.

Submission to the Tax Working Group on the Future of Tax

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Main points

I support the Tax Working Group's review seeking to identify a fair tax system that positively supports the well-being of all New Zealanders.

Changes to the current alcohol excise tax regime in New Zealand has the potential to improve the health and welfare of New Zealanders, and reduce inequities in health and social outcomes between Māori and non-Māori. To not adopt a healthier approach to alcohol taxation is not fair for the majority of New Zealanders.

Alcohol is a substantial contributor to poor physical and mental health, difficult family environments, ethnic and social disparities, crime and punishment. It overloads our hospitals, the NZ Police, our courts, the penal system, and special education services. In many NZ families it is the source of grief and despair from violence, traffic deaths and suicides, and it contributes to our high incarceration rates which particularly affect Māori. Improvements can be made at little cost to the country through changes to taxation.

Hazardous drinking prevalence has been going up every year since the brief dip that accompanied the economic downturn, and is now sitting at about 20% of all New Zealanders over 14 years of age. There is also irrefutable evidence that regular consumption of alcohol at levels that are generally considered harmless in New Zealand causes cancers, including two of the most common causes of cancer death here, bowel and breast cancer. About 30% of the 800 deaths a year attributable to alcohol are from cancer. Harm from alcohol is higher in Māori than non-Māori on all measures. There has been no effective policy adopted to curb harm from alcohol in decades apart from reducing the drink-driving limit, despite evidence-based interventions being available and an extensive review by the Law Commission recommending them.

Reducing the affordability of alcohol will reduce consumption and harm across the population. Excise tax is the most tested, and most effective, single measure available to do this, and it is non-stigmatising. It will also achieve other objectives that will be good for the country: 1. Increasing tax will increase the proportion of alcohol externalities that are paid for by industries that produce, distribute and sell this product at a great profit. It will also reduce the costs to society as the level of drinking will go down. Together this will enable revenue from taxes currently levied in the general population to be used for the public good, rather than wasted on dealing with the damage. 2. Reducing the affordability of alcohol will have the biggest benefits for the heaviest drinking groups in society, particularly those on low incomes, thus reducing inequities.

Alcohol deserves particular attention because of the magnitude and scope of the harm that it causes and because the intervention is simple to implement and proven effective. The benefits will affect all New Zealanders, even non-drinkers, as much of alcohol's harm is to people other than the drinker.

Recommendations

- Excise tax on alcohol be increased by at least 50% to raise the price of alcohol by at least 10%, as was recommended by the Law Commission in 2010. The expected drop in

consumption would be 5% across the whole population. The arguments for this are detailed in the Law Commission report “Alcohol in our Lives: Curbing the Harm”

- Regular excise tax rate adjustments, ahead of inflation, to avoid increasing affordability over time driving consumption up again.
- Adoption of a consistent rate of tax across all types of alcoholic beverages, based on alcohol content, as it is the alcohol that causes the harm and costs the country so dearly. Currently wine is undertaxed. While all alcohol has become much more affordable over the last 10 years, wine has outstripped all other types.
- Introduction of a Minimum Unit Price for alcohol (a floor price for a standard 10g drink). There are two advantages of this, when used alongside increased excise. The primary purpose is to eliminate sources of very cheap alcohol that facilitate consumption of large volumes, and are a particular risk to young people. Secondly, having a MUP in place will avoid the expansion of the cheap end of the market when excise tax increases come into play. MUP should not be considered a substitute for increases in excise tax, as it does not have the same potential to reduce overall consumption.

I would be happy for the Tax Working Group or Secretariat to contact me about anything relevant to their work.