

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;
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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 from Maurice Murrell. Email address [1]

I would be happy to discuss this policy suggestion

Policy Suggestion

A once a year \$100 tax be placed on all tourists who visit New Zealand, other than Pacifica people who in recognition of their relationship to New Zealand should be charged a nominal sum or nothing. The revenue of approximately \$400 million dollars ¹should go to environmental protection of the very attributes that attracts tourist to New Zealand and which they currently pay very little for. So extra funding for Department of Conservation and strong tax reduction incentives such as for farmers and others to clean up water ways.

Benefits

This policy would overcome the current free-riding on the New Zealand Tax system by tourists. Natural attractions such as our clean air, open spaces, mountains and wildlife reserves generally do not or cannot be charged for. In other countries major attractions that are tourists draw cards are charged for. For example, the Tower of London charges £22.35 and the Eiffel Tower €25.

The tax would be small in comparison to the average expenditure by a tourist of \$3,190 ²in New Zealand or \$4690 if \$1500 is added for a return fare. The net effect on tourist numbers would be easily made up by promotion as the broadly accepted Demand/Price elasticity rate of -0.7 ³would lead to a reduction of only 1.1% in tourist numbers. The extent of free-riding is seen in the small contribution that tourists make via GST of \$1.66 Billion (on estimated Tourist Expenditure per Year of \$12.7 Billion) of 2.2% of the total tax revenue for New Zealand⁴. For their small contribution tourists get many benefits paid for by New Zealand residents: A clean and non-polluted safe environment care of the Police and other Government agencies, ACC coverage for accidents, helicopter services etc. And of course, the physical environment we support via taxes through agencies such as the Department of Conservation as well as policies adopted over the years which also have a cost e.g. control of the Lake Manapouri water levels.

The extra income would be used to preserve and develop the very environment attributes tourist come to see: clean air and water, native forests, rare and endangered species of both flora and fauna. Money could be applied to accelerating research into biological controls of pest species, reforestation with native flora, additional physical control programmes of pest species etc. It could also be used for accelerated subsidies and tax benefits for individuals and companies environmental projects.

Policy Implications

This recommendation is in line with one of the “Specific challenges” listed (Page 7) in the Future of Tax Submissions Background Paper, namely;

“Is there a case to make greater use of environmental taxation to improve environmental outcomes and diversify the tax base?”

¹ International tourism forecasts, 2017 – 2023, Ministry of Business, Innovation and Employment

² Key Tourism Statistics, Ministry of Business, Innovation and Employment

³ Price Elasticities in International Tourism, Geoffrey I. Crouch 1994, World Tourism Education and Research Centre, The University of Calgary. In this Meta Study of 80 investigations into elasticity of tourism demand against price increase showed a range of - 0.6 to -0.8.

⁴ Treasury Revenue and Expenditure Overview “Tax revenue totaled \$75.6 billion in the 2016/17 financial year.”