

## **Tax Working Group Public Submissions Information Release**

### **Release Document**

**September 2018**

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Contact Name: Rosie McGrath  
Organisation: Active West Coast  
[1]



Tax Working Group Secretariat  
PO Box 3724  
Wellington 6140

[submissions@taxworkinggroup.govt.nz](mailto:submissions@taxworkinggroup.govt.nz)

## Submission: The Future of Tax

### Organisation background:

Active West Coast (AWC) is a network of agencies and groups committed to improving the health of West Coasters through the promotion of healthy lifestyles such as increased physical activity, improved nutrition, living smokefree, youth and older person's health. While member organisations were involved in preparing this submission, the recommendations in their entirety, do not necessarily reflect the views of each individual agency.

In recent years AWC has made submissions to the Law Commission's Alcohol in Our Lives – Curbing the Harm Report, the Safer Journeys Road Safety Strategy, and the Alcohol Reform Bill. One of our goals is to reduce alcohol-related harm in West Coast communities by creating environments that limit opportunity for such harm.

AWC notes the breadth of The Future of Tax discussion paper but will confine our comments to particular matters of current concern to this group.

- We support the Tax Working Group's review seeking to identify a fair tax system that positively impacts on the well-being of all New Zealanders.
- We applaud the holistic approach taken to consider The Living Standards Framework incorporating the four capital stocks and associated flows as a public policy direction for considering how taxes might more fairly support these wider wellbeing measures.

1. Regulatory mechanisms that are fair, universal, and drive public good outcomes are the most effective tool for increasing social and economic wellbeing throughout Aotearoa.
2. AWC also notes the success of targeted taxes that act as a behaviour modifier, in particular, on both alcohol and tobacco, where these products cause considerable costs to wider society beyond that borne by the individual consumer.

3. A matter of ongoing concern for us on the West Coast is the normalised culture of both heavy and hazardous alcohol consumption as well as the significantly higher number of alcohol outlets in comparison to the rest of New Zealand. This not only leads to negative impacts for individual drinkers, but also wider social/economic costs for whanau, NGO social services, and government agencies.
4. We note also that these costs are unfairly spread across particular cohorts in our West Coast communities, including between Māori and non-Māori. West Coasters have a low median income compared to the rest of New Zealand. We strongly support a continued focus on opportunities to rebalance tax measures that will reduce inequities associated with low wage earnings as well as particular discretionary spending choices to further reduce uptake (tobacco and alcohol). In addition we need to ensure the tax-take on these particular trading activities meets the true related costs of associated harms that unfairly fall upon us all.

### **Alcohol pricing**

5. The current approach to alcohol excise tax in New Zealand is not fair for the majority of New Zealanders. People who don't drink alcohol (20% of adult New Zealanders) and low risk drinkers are unfairly burdened with the wider costs to society of alcohol-related harm. The government receives excise tax from alcohol (\$1 billion in 2017) but this does not come close to the annual cost of alcohol-related harm to individuals and society (around \$5 billion in 2005/06).
6. Further, New Zealanders are missing out on millions of dollars of alcohol excise tax revenue each year because wine is taxed at a level equivalent to 10% alcohol, yet levels of alcohol in a bottle of wine are typically much higher than this (e.g. 12-14%). This anomalous situation needs to be addressed. It is the alcohol content that causes the harm.
7. AWC supports the introduction of the World Health Organisation's policy directives on ending the availability of cheap alcohol as a mechanism to reduce alcohol-related harm. As with tobacco, and all products, price has a direct impact on demand. The Alcohol in Our Lives document<sup>1</sup> notes that alcohol consumption, alcohol-related offences and anti-social behaviour have all increased as alcohol has become more affordable relative to our income.
8. We believe that rates of alcohol excise tax should reflect the cost of alcohol-related harm to society. Alcohol causes more harm than any other drug available in society, e.g. tobacco, cannabis, heroin, methamphetamine. Of

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<sup>1</sup> Alcohol in Our Lives Issues Paper 15 (2009) <http://www.lawcom.govt.nz/sites/default/files/projectAvailableFormats/NZLC%20IP15.p>

particular concern is the increasing number of hazardous drinkers in New Zealand.

9. Specific measures to target heavy drinkers would significantly reduce inequalities in alcohol-related harms between income groups. Further, low income heavy drinkers would benefit the most when the price of alcohol is increased.
10. All alcohol products (beer, wine, cider, spirits, etc.) should be taxed by the exact amount of alcohol they contain. This is fair across all beverages. Currently, some products are taxed by volume whereas others are taxed by alcohol content. AWC believes a Minimum Unit Pricing policy would achieve this aim.

**AWC recommends the following:**

11. That alcohol excise rates are increased by at least 50% across all alcohol products to raise the price of alcohol by at least 10%;
12. That excise tax on alcohol products under 2.5% by volume be removed to promote consumption of low alcohol products.
13. That the excise rates on alcohol are adjusted annually to take into account changes in income (and to offset any strategies used by retailers to not pass on increased rates to consumers);
14. That all wine should be taxed by alcohol content, not volume of beverage. If a producer is unable to determine the exact alcohol content in their product, then the level of excise tax should be raised from being based on 10% alcohol strength to 14%;
15. That a minimum price per standard unit of alcohol be introduced.

We believe that introduction of the above measures are achievable and crucial steps to achieving the objectives of the Sale and Supply of Alcohol Act 2012, as well as necessary to moving us all forward in support of a fairer and more equitable society.

**Sugary drinks**

16. We suggest government gives active consideration to extending the targeted tax model by introducing a tax on sugary drinks and other high sugar content products to act as a behaviour modifier and to address the alarming rise of pre-diabetes and current diabetes incidence and associated management costs. We understand these costs will escalate even further if we take no action now as a society to forestall these avoidable impacts on wellbeing, employment capability, and life years lost.

**AWC recommends the following:**

17. That a tax on sugary drinks and other high sugar content products be actively considered.

Thank you for the opportunity to provide feedback to this issue. We do not seek to speak to the committee in further support our submission.

We are aware that this submission will be released on the government website and have noted the Official Information Act and privacy considerations that apply