

Tax Working Group Public Submissions Information Release

Release Document

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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.



30 April 2018

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[1]

Dear Sir/Madam

Future of Tax

Introduction

The New Zealand Automobile Association (NZAA) welcomes the opportunity to provide comment on the Future of Tax submissions background paper.

The NZAA is an incorporated society with over 1.6 million Members. It represents the interests of road users who collectively pay over \$3 billion in taxes each year through fuel excise, road user charges, registration fees, ACC levies, and GST. The NZAA's advocacy and policy work mainly focuses on protecting the freedom of choice and rights of motorists, keeping the cost of motoring fair and reasonable, and enhancing the safety of all road users.

Our comments on the discussion paper relate to The Future Environment:

- Technological change and its impact on tax bases
- Environmental challenges

We cover these items separately below.

Technological change and its impact on tax bases

The NZAA submits that it will be necessary in the next decade replace the Fuel Excise Duty (FED) with some form of electronic distance-based charging for all motor vehicles.

In the medium-term fuel-based taxes will become less viable and equitable due to technological changes in the vehicle fleet. The expected growth in more fuel-efficient cars and electric vehicles (which are currently exempt from Road User Charges), and potentially excise-exempt biofuels will erode revenues from FED, which is hypothecated into the National Land Transport Fund which largely funds New Zealand's land transport network.

FED is also a regressive tax, in that it those members of society who are unable to afford a newer and more fuel-efficient car or electric vehicle, will disproportionately pay a higher amount of FED over the same distance. These same people also tend to live in outer suburbs of cities, where housing costs are lower, and where public transport is generally less accessible or practical (e.g. time-efficient), and thus travel further to access employment or health or education services.

We understand the Ministry of Transport have commenced investigation into a universal electronic RUC system. That investigation should form an input into this broader review.

Environmental challenges

NZAA Members are concerned about the environment. 88 percent of Members are conscious of being environmentally responsible, and in regards to transport, 69% say they have made changes to their travel in recent years for environmental reasons.

However, in a September 2017 random survey, AA Members said they were prepared to pay an average of \$26 a month in a climate change tax that was used to reduce emissions.

The NZAA submits that any environmental-based taxes should be:

- proportionate
- equitable
- revenue-neutral

The submission background working paper discusses using the tax system “to ensure that consumers and producers face the costs of emissions and other environmental harm.” We recommend that any environmental-based taxes should be proportionate to the contribution that motor vehicles make to greenhouse gas emissions. Approximately 12 per cent of New Zealand’s net greenhouse gas emissions come from light motor vehicles. Therefore, if it were possible to eliminate all motor vehicles or replace them with electric vehicles, New Zealand would still have 88 per cent of current greenhouse gas emissions.

Further, the NZAA suggests that such taxes should not unfairly penalise New Zealanders who do not have viable mobility options, and have no control over the environmental footprint of their available mode. Until relatively recently, the only type of car that New Zealanders could buy was internal combustion-engined. Now electric vehicles offer a low-emission alternative, but are limited in supply and generally more expensive. The focus should be on encouraging people to make better environmental choices in future rather than penalise people for past choices. This includes investing in providing New Zealanders with viable mobility choices and alternatives to the car that are fit for purpose.

Yours sincerely

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