

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

### **Release Document**

**September 2018**

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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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Position: *Beneficiaries Advocate* Organisation (if any): *CAR*  
Email: <sup>[1]</sup>

- I am aware that my submission will be released on this website, with my email address withheld, and have noted the Official Information Act and privacy considerations that apply
- I would like to speak to this submission if the opportunity arises

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I/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.

**I/We believe that the current approach to alcohol excise tax in New Zealand is not fair for the majority of New Zealanders.**

I/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.

Increases in alcohol excise rates are urgently required to address the growing number of hazardous drinkers in New Zealand. In 2016, there were 179,000 more hazardous drinkers than in 2012.

Almost every group defined by age, ethnicity and sex has increased their drinking since 2011. The greatest increases are among our women. There remain significant inequities in alcohol-related harm between Māori and non-Māori - these are unjust.

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### To achieve fairness, alcohol excise taxes need to be addressed

- Today, alcohol is more affordable than it has ever been
- 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%). Taxpayers are losing out on this revenue which could be used to fund essential social services.
- Every year, the Government receives money from alcohol excise tax (\$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).
- People who don't drink alcohol (20% of New Zealanders) and low-risk drinkers are unfairly burdened with these costs.

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### Recommendations

For a fairer and more equitable society, we recommend the following:

- **Increase alcohol excise rates by at least 50% across all alcohol products to raise the price of alcohol by at least 10%**
- Annually adjust the excise rates to take into account changes in income (and to offset any strategies used by retailers to not pass on increased rates to consumers)
- Address rates of excise tax on wine – 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%.
- It is preferable that all alcohol products (beer, wine, cider, spirits, etc.) 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. It is **alcohol** that causes the harm.

These recommendations are fair as low income heavy drinkers are shown to benefit the most when prices of alcohol are increased.

Thinking outside the system, we recommend that a Minimum Unit Pricing Policy also be implemented to address the availability of very cheap alcohol. This policy is the most fair as it targets heavy drinkers and significantly reduces inequities in alcohol-related harms between income groups.