

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.



The Tax Working Group – Submission

Arthritis New Zealand is a not for profit organisation that has represented the interests of New Zealanders with arthritis for more than 50 years. Our Mission is to improve the life of every person affected by arthritis.

We welcome the opportunity to provide a submission to this taxation review. Arthritis New Zealand supports a tax system that is equitable and fair.

What do you see as the main risks, challenges, and opportunities for the tax system over the medium-to long-term?

Decisions made on taxes now and in the future should take account that not everyone is able to undertake full time work. For many people with arthritis this is simply not possible – many people can only work part time. Arthritis is a painful, long term condition which has a substantial impact on quality of life. Severe pain can have a debilitating impact on someone's ability to work.

The [*Fit for Work? Musculoskeletal Disorders and the New Zealand Labour Market*](#) highlighted that having a significant proportion of the working age population either temporarily or permanently unable to work due to chronic disease – even in a favourable economic climate – can reduce the aggregate level of labour productivity in an economy and damage the competitiveness and effectiveness of private and public sector employing organisations.

People with musculoskeletal conditions are less likely to be employed than people in good health, and more likely to retire early.

The impact of people leaving the workforce early is significant in terms of:

- Taxation foregone by government
- Additional social security payments
- Decrease in personal incomes – often meaning people living many years in poverty
- Associated impacts on savings and lifetime living standards

Lost productivity is the largest cost of Arthritis.¹ There were 25,000 New Zealanders who did not work in 2010 due to arthritis, costing around \$1.48 billion in lost productivity.² The potential tax revenue forgone in 2010, due to people with arthritis working less or leaving the workforce, was \$330.3 million.³ Of this \$253.7 million (76.8%) is forgone personal income tax and the remaining \$76.6 million (23.2%) is forgone indirect tax.

We hope the working group will examine options for improving health outcomes through the tax system.

¹ <https://www.arthritis.org.nz/pdfs/fitforwork.pdf>

² <https://www.arthritis.org.nz/pdfs/economic-cost-of-arthritis-in-new-zealand-final-print.pdf>

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The Future

Arthritis currently affects over 647,000 New Zealanders and is a leading cause of disability in New Zealand. The number of people with arthritis is growing - by 2050 the number of New Zealanders with arthritis will rise to around 780,000.⁴ Half of people affected by arthritis are of working age.

Due to living longer, reduced physical activity, increasing obesity and lack of access to timely health care, the burden of arthritis is increasing. New Zealand has the third highest adult obesity rate in the OECD, and our rates are rising; now affecting 31.6% of adults.⁵ Obesity significantly increases a person's risk of developing arthritis. The [Health Loss in New Zealand 1990-2013](#) report highlights the burden faced not only by people with arthritis. For all forms of arthritis managing weight is key to better outcomes, and risk of developing many forms of arthritis increases with excess weight.

There are significant costs associated with arthritis. They will only rise as the population ages and more people are diagnosed with arthritis. Health spending of \$1,310 per person per year with arthritis was identified by Access Economics in 2010. Full costs can be seen in [Access Economics: The economic cost of arthritis in New Zealand in 2010](#).

Equity

There are significant costs associated with treatments, medications and the management of a long term condition. The tax system must be equitable for all those in it. Individuals are the bearers of the largest costs associated with arthritis and other musculoskeletal conditions.⁶ The Disability Resource Centre in 2010 estimated the weekly costs of a physical disability, between \$639 for a moderate disability, ranging to \$2284 for high needs.⁷

The Benefits System

We note the adequacy of the personal tax system and its interaction with the transfer system is out of scope as part of this review. The rules and processes for combining benefits and earnings, which are both of course subject to tax, must be revised so that they work effectively and sustainably for those affected and support people as they re-enter the paid workforce. The amount which can be earned before benefits are severely reduced or stopped completely must also be raised substantially.

We have many members that have shared their experiences, many of who tell us their benefit fails to cover the cost of living.

How should the tax system change in response to the risks, challenges, and opportunities you have identified?

The burden should not fall on those at the lower end of the scale and the impact on people as a whole system approach should be considered.

We also recommend that the possibility of money raised through tax levies (for example a tax on sugary drinks) be ring-fenced or earmarked to be reinvested into improving health outcomes to lessen the burden imposed by long term conditions, such as arthritis, ideally through preventative action.

⁴ <https://www.arthritis.org.nz/pdfs/economic-cost-of-arthritis-in-new-zealand-final-print.pdf>

⁵ <https://www.health.govt.nz/publication/annual-update-key-results-2016-17-new-zealand-health-survey>

⁶ <https://www.arthritis.org.nz/pdfs/fitforwork.pdf>

⁷ <http://carers.net.nz/wp-content/uploads/2013/02/2010Cost-of-Disability-Report.doc>