

Tax Working Group Public Submissions Information Release

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30th April 2018

Tax Inquiry Submission to the Tax Working Group on behalf of Hāpai Te Hauora Tapui Limited

1. We thank the Tax Working Group for seeking the views of New Zealanders with regards to the future of taxation and how this will impact future public policy. Hāpai celebrates this opportunity to be able to discuss and share our thoughts on tax policy, which may help design a tax system that is fair and equitable for New Zealand, and for Māori in particular.
2. Hāpai Te Hauora are national leaders in Population Health, Public Health, Policy and Advocacy, Research and Evaluation, and Infrastructure Services. Our role is to support Māori communities and whānau to play a role in decision-making on matters affecting their health and wellbeing.
3. Hāpai affirms the rights to good health and well-being is enshrined in Te Tiriti o Waitangi, and that whānau Māori, hapū, and iwi have the right to good health and well-being. Established as a Tripartite agreement between Te Rūnanga o Ngāti Whātua, Tainui and ngā Mātāwaka (Te Whānau o Waipareira) to broker health contracts for the benefit of iwi Māori living within Tāmaki Mākaaurau, Hāpai supports actions that uplifts the health and well-being of Māori in alignment with the rights and principles guaranteed to Māori with Te Tiriti o Waitangi.
4. Hāpai sees many benefits to the process of taxation, however we also recognise the inherent flaws in our taxation system, which do not serve the purpose of the tax inquiry. We have identified several points of concern within our current method of taxation.
5. The issue is in managing the balance between paternalism of the state and autonomy of the individual. We see a future taxation system as one which recognises individual choice whilst also ensuring the provision of an efficient welfare system which supports our most vulnerable members of our society when needed.
6. Hāpai Te Hauora urges the Tax Working Group to look to Te Ao Māori, and its traditional systems of taxation, when contextualising the tax inquiry and when examining further improvements to the structure, fairness and balance of the tax system.





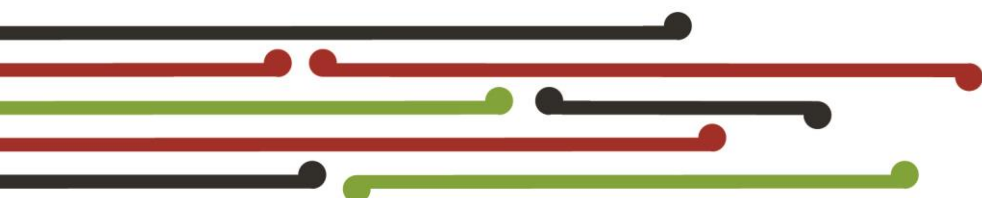
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7. Traditional method of taxation in Te Ao Māori is that of the 'koha' system - essentially an organic taxation system of accountability and mutual obligation between giver and receiver. Within the 'koha' system, the 'giver' and receiver are unequivocally bound to each other, each acutely aware of their position in the process of redistribution.
8. We recognise that the introduction of a third party redistribution system, herein referred to as taxation, and the welfare system, interrupts this natural law, severing the relationship between 'giver' and 'receiver'. In a welfare system, the giver cannot account for where and how their loss has enhanced the mana of somebody else. Equally, the receiver is unable to trace the source of charity and is thus un-obliged to reciprocate in some capacity, or to recognise the limitations of the giving capacity of others. The third party re-distribution system effectively dehumanises the process of 'koha'.
9. Whilst we recognise the evolution of taxation, we recommend that, in imagining the future of taxation, the Tax Working Group strongly reconsider re-humanising the process of taxation, enabling transparency across all mechanisms of taxation, in order to ensure that our tax system is future proofed for the benefit of future generations of New Zealanders. We support the adoption of a Maori values system as outlined in the submission document which fundamentally supports our Maori worldview with regards to a taxation approach
10. Strong evidence supports that more equitable societies fare better in health and social outcomes than inequitable countries. Mortality and health outcomes are not determined by the overall wealth of a country, but rather by the level of inequality that exist in that country. More equitable countries are likely to experience lower rates of health issues such as obesity, mental illness, alcohol, gambling and drug addictions. Further to this, more equitable countries are more likely to experience better social outcomes for crime, literacy, social mobility and environmental responsibility.
11. Our tax system needs urgent attention in order for it to address the astounding rates of wealth inequality within New Zealand in order to be strong contenders on a world stage where positive experiences of health and social wellbeing are prioritised. Given this, Hāpai makes the following recommendations to The Tax Working Group:

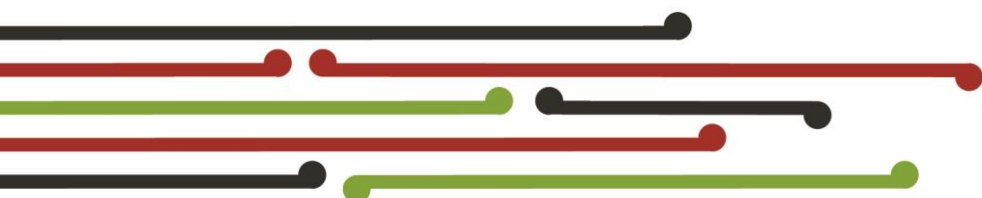


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Taxation Overhaul

12. A complete overhaul of our tax system, to include the development of a taxation system which is fit for purpose and possesses efficient operations which do not continue to increase inequities in New Zealand.
13. Hāpai advocates for a taxation system which does not further detriment those disadvantaged populations, particularly Māori and Pacific. This will require the re-prioritisation of our values as a nation.
14. Given this, Hāpai supports a morality and values based taxation system in the future. We recognise that our future generations will inherit said system and thus, we wish for a future proofed taxation system which recognises the value of every individual as an eco-systemic member of the fabric of our New Zealand society.
15. We support a taxation system which effectively taxes wealth as opposed to income. The current system of income taxation provides many loopholes which facilitate tax evasion, which has major negative impacts on our economy.
16. Hāpai believes that taxation should be used to support services that targeted populations in particular Māori and Pasifika require, and most importantly that they are provided by to specifically support these population groups for positive outcomes in health and wellbeing.
17. If resources generated from our current taxation system were distributed correctly, we would not see Māori and Pasifika health inequities as they largely stem from poverty. Māori is at the lower end of almost every health and social indicator; we are more likely to experience unemployment, die earlier, suffer poorer health, be incarcerated, and require greater government assistance.
18. Recently we have seen iwi and hapū such as Ngāti Whātua Ōrākei provide private health insurance and Ngāi Tūhoe to assume responsibility for the welfare system within its rohe. Whilst this is a primary example of self-determination, it is simultaneously a reflection of the inequity of our taxation system against Māori.
19. In the failure of the taxation system to meet, or even to accommodate for the needs of Māori, a future tax system needs to be one which affirmatively recognises the self-determinability of Māori, whilst also resourcing Māori to serve their own populations.





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Te Ao Māori

20. We believe that the reconfiguration of the tax system can adequately allow for growth and sustainability of both 'Māori in the economy' and the Māori economy' through focussing on values based economy
21. Taxation needs to not disadvantage those on low wages, thereby forcing whānau into welfare and contributing to the disproportionately high rates of Māori unemployment. We advocate for a mechanism which reduces, or eliminates tax for people on zero-hour contracts, until such a time as stronger employment laws are legislated which protect the employment rights of our most vulnerable populations.
22. Despite the structural inhibitors which have negatively impacted the ability of Māori to thrive in the modern global economy. It must be said that 30 years of treaty settlements and recognition of the principles of Te Tiriti o Waitangi does not excuse more than 175 years of colonisation, discrimination and oppression by the crown.
23. Māori have been alienated from their lands, waterways and marine spaces for several generations. In addressing 'Te Ao Māori' or Māori economics into the context of this discussion, we need to first recognise that, in settlements, Māori only received 5% on average of the value of land previously confiscated. Further to this, settlements did not account for the economic costs of the harms imposed by raupatu, nor do they return any iwi or the population of Māori to the state of vitality experienced by Māoridom pre-colonisation
24. It is imperative that it be recognised that the continued health and social disparities are consequential of the historical and ongoing attempts to marginalise Māori in our own land.
25. We thus, do not see it as appropriate to further punish Māori for our lucrative investments and entrepreneurialism. We believe that any asset base owned by Iwi should be subject to the tax exemption clauses much like those of charitable trusts.
26. The burden of taxation revenue from harmful products should not fall entirely on the consumer, thereby disadvantaging the whānau economically. Industries which manufacture and profit from harmful products such as alcohol, tobacco and sugar sweetened beverages should equally feel the costs of the taxation of harmful products in order to encourage harm minimisation strategies on the part of the manufacturer.





27. Whilst we understand that excise tax is primarily a deterrent mechanism for unhealthy behaviour, we simultaneously see that there will be no behaviour change or risk mitigating behaviours on the part of the manufacturer if there is not a concerted effort by the government to ensure that they take on responsibility for the harm associated with their products.

Tobacco

28. Hāpai supports the recommendation of Aspire 2025 that a mandated approach to retail price of tobacco would best serve to reduce the harm from tobacco consumption.
29. This would mean that all brands would be the same price per cigarette or tobacco weight. A periodically adjusted Government mandated retail tobacco price per cigarette (or tobacco weight), combined with a maximum price before tax, would enable Government to control the effect of tobacco tax rises. Hāpai recognises that Māori and Pasifika financially suffer from tax increases each year. Hāpai also recommends that tax increases should be implemented at the start of the government financial year and not at the calendar year as many in the community are already financially restrained due to other whānau commitments, such as holiday and back to school expenses.
30. Hāpai urges the Tax Working Group to review the investment strategy of the tax revenue on tobacco, with a key focus on re-investing tobacco excise tax into supply reduction initiatives as well as focussing on the re-investment into peer-led, culturally appropriate cessation and addiction services.
31. Hāpai supports tax increases if it is invested in supply reduction, which supports whānau in becoming and/ or remaining smoke-free. Those living in poverty are more likely to smoke and live in tobacco- dense areas making it easier to start smoking and harder to quit.
32. The increasing rates of tobacco-related violence and theft demonstrates this financial stress. Reinvesting tobacco tax into supply reduction will help prevent this crime because it reduces the availability of tobacco products for theft.
33. Hāpai believes responding to retail crime should not be at the expense of forgoing tobacco tax increases- an established and evidence-based policy. This would harm the health of New





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Zealanders because tobacco price increases are so strongly associated with reducing and preventing tobacco use and prompting smokers to quit.

34. Hāpai recommends reviewing profit margins tobacco companies made since tax increases were introduced as this will support the argument of reducing supply will, in turn, reduce tobacco companies' profits.
35. Some research suggests hardship may have increased for some low-income smokers following recent tax increases; in particular, the potential negative impacts on the children of smokers. For example, there is the risk that parents or caregivers may be burdened by the expensive addiction of cigarettes making the purchasing of household essentials unaffordable.
36. Using dedicated tax revenue to invest in culturally appropriate and driven and peer-led holistic services that emphasis smoking cessation support as part of a wider health strategy could mitigate the potential effect of financial hardship. The underwhelming success rates of current smoking services clearly show that resources need to be redirected into services that are proven to reduce smoking rates. This includes vaping support services that are peer-led and community driven.
37. If tax does not support these interventions to help increase quitting, the adverse financial effects of tax increases are likely to impact disproportionately on low-income smokers who continue to smoke.
38. The New Zealand Government currently funds a Pharmacy NRT Service as part of the smoking cessation programme. The underwhelming enrolment and quit rates for priority groups indicate service method and delivery needs to change. Hāpai see the benefit in investigating the merit in government also supporting harm minimisation which has been approved and regulated for quality control.
39. Hāpai supports tobacco taxation if used to support whānau. There is broad health sector support and evidence within New Zealand that annual 10% tobacco excise tax increases, currently under government review, is one of the most powerful tobacco control interventions and has an important role in achieving a Smokefree New Zealand by 2025. Quality of life is impacted by socioeconomic deprivation therefore pricing has been a significant trigger to stop smoking. This is especially true when motivation alone is not always enough to remain smoke free (Macfarlane et al., 2011). Studies measuring the effect of tobacco tax increases (Macfarlane et al., 2011) found that cost was twice as likely to be a





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motivating factor to stop smoking compared to before the tax increase, and more smokers made a quit attempt in 2010 post-tax increase. Māori, Pacific, and rangatahi (young Māori) are disproportionately more likely to be living in socio economic deprivation. Evidence shows that low-income earners were significantly more likely to report 'cost' as a reason for making a quit attempt. 34% of Māori were motivated to stop smoking due to 'cost' following the unscheduled 2010 tax increase of 20%.

Alcohol

40. Hāpai sees the application of excise tax to all alcohol products, in a consistent manner, as fundamentally important to the reduction of alcohol related harm. In New Zealand today, alcohol is more affordable, and therefore more accessible than it has ever been.
41. Almost every group defined by age, ethnicity and sex has increased their drinking since 2011. The greatest increases are among our women. As with all other harmful products instituted into our society in the process of colonisation, Māori are disproportionately affected by the burden of alcohol related harm.
42. 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. 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).
43. 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.
44. We recommend, in line with the recommendations made by Alcohol Healthwatch, that there be an increase alcohol excise rates by at least 50% across all alcohol products to raise the price of alcohol by at least 10%
45. We support the clear application 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%.

46. Due to the inaccuracies and loopholes which technically allow for non-compliance of industry to the excise tax against alcohol, the New Zealand economy is losing out on a significant amount of potential tax revenue. 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, or further to use in the resourcing of initiatives to reduce alcohol harm and treat alcohol dependency.
47. 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 the alcohol content, as opposed to the beverage itself which causes the alcohol related harm.
48. 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.

Gambling

49. Problem gambling is evidenced to contribute to our failing rates across a number of health issues such as alcohol addiction, substance use and abuse, increased stress, poor mental health and suicide. It is further linked to poor social outcomes including unemployment, poverty, homelessness and family violence.
50. The burden of gambling harm is experienced far beyond the individual with one in every 4 New Zealanders experiencing the negative impacts of someone's gambling.
51. The proceeds received by the government are allocated towards an array of gambling harm prevention and minimisation outcomes as outlined in the Strategy to Prevent and Minimise Gambling Harm. The revenue acquired by the government for the purposes of harm minimisation is currently not enough to adequately address the harm of problem gambling.
52. We recommend that taxation (currently applied by way of a gambling levy under Schedule 2 of Gambling [Problem Gambling Levy] Regulations 2016) be applied to class 4 gambling profits at a rate that resembles the associated harm of gambling addictions.





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53. We recommend an excise tax be applied to the purchase of lotteries tickets, particularly given the public platform provided to lotteries commission by way of television broadcasting, which arguably, increases visibility and thus facilitates more gambling related harm than other classes of gambling.
54. Under current laws, gambling licencing trusts are tax exempt on the premise that they fall in the cohort of charitable trusts. We believe that it is fair and adequate to tax all pokie licencing trusts as if they were businesses, given that the economic benefits of their charitable activity pales in comparison to their margin of profit.
55. The overall gambling levy is 3.76% of gambling proceeds per annum. We argue that the levy rate does nothing to minimise gambling harm, and furthermore, when considering the three-way distribution of the 3.76%, only a third of this levy is re-distributed to the community, and often redistributed to the communities outside of where the profits were made.
56. We recommend, in the overhaul of our tax system, that the levy be increased to reflect the proportion of gambling related harm experienced by the community.
57. Taxation, acquired through levies for the purpose of community grants should be earmarked to prioritise purposes which improve social and health outcomes above leisure or recreational purposes. Furthermore, the re-distribution of the grants funds from gambling proceeds should return, proportionately to the community it is derived from.
58. The revenue gathered from any tax associated with reducing uptake or consumption of any class of gambling should be readily allocated to the reduction of gambling harm, with a prioritisation of resourcing to those populations most affected, in this case, Māori and Pacific and less affluent communities.

Sugar Tax/ Food Tax

59. We recognise the effectiveness of taxation as a public health approach to reducing harm from other harmful products such as alcohol and tobacco and as such, we see value in using this approach to our food and drinks industry.
60. We advocate for reducing the sale and supply of sugary drinks, with a focus on attaching an excise tax to the purchase of these products. Sugar sweetened beverages are identified as a





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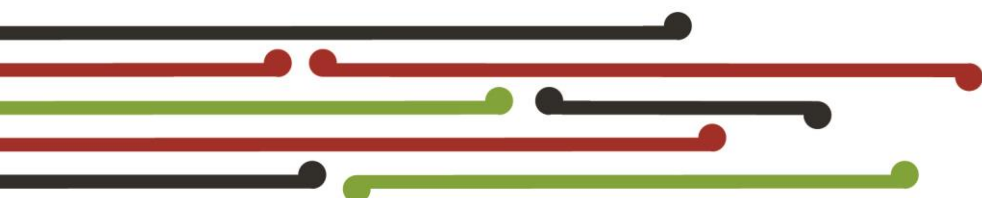
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major contributor to poor health, including obesity, type-2 diabetes, tooth decay, and overall poor oral health, gout and other risk factors for cardiovascular disease and premature death.

61. There is a significant evidence base which implicates sugary drinks with these common diseases, and thus we believe that the same successful approach that has been used in reducing the consumption of tobacco and alcohol needs to be applied.
62. Whilst we recognise that the severity of our recommendation for taxation of all products which are harmful to our whānau may be viewed as paternalism, we also recognise the counter argument to that, which is that we are currently subject to the whims of these industries who participate in the sale of these products primarily for profit.
63. We tender that the purpose of tax, as outlined by the tax working group, is to provide fair tax system that positively impacts on the well-being of all New Zealanders, and that such risk mitigating strategies are well aligned to the
64. In recognition of the impact of our food products and its contribution to our obesogenic society, we believe that adequate taxation needs to be imposed in the form of food excise tax to certain products. We further believe that food products available to our most vulnerable whānau need to be regulated, by way of excise, should be progressively taxed by
65. We advocate for the removal of GST from all fresh and frozen, unprocessed or unmodified fruit and vegetables (For example, we support GST removal for frozen peas, but not frozen fries). This will encourage the sale of fresh goods to whānau, given that access to healthy food should be viewed as a necessity rather than a “good” or “service”.
66. Further to this, we believe that an excise tax should be applied to foods that are not health promoting. In an ideal society, we would rely on a Health Star Rating (HSR) system to determine the taxation levels on products, however, we recognise that there are flaws in the HSR that would inhibit the effective implementation of this excise tax.
67. Any tax revenue gathered from sugar sweetened beverages or other excise tax applied to unhealthy foods should be earmarked for the reduction of issues relating to poor nutrition such as obesity, diabetes, cardiovascular diseases, and any other such health issues which may arise through research.
68. Not only would a sugar tax result in increase in revenue from the excise tax itself, there would also be an increase in governmental budget from the reduction in health costs which stem from the consumption of sugary drinks.





Conclusion

69. We see this inquiry as fundamental to increasing the effectiveness of our tax system overall as they were originally purposed - to create a fair taxation system that positively impacts on the well-being of all New Zealanders.
70. If the opportunity arises we would welcome the opportunity to present to this submission orally.
71. We once again thank the Tax Working Group for the opportunity to contribute to the progress of this inquiry, and look forward to seeing the outcomes of this inquiry.

Nāku noa, nā,

[1]

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References

MacFarlane, K., Paynter, J., Arroll, B., & Youdan, B. (2011). Tax is a motivating factor to make a quit attempt from smoking: a study before and after the April 2010 tax increase. *Journal of primary health care*, 3(4), 283-288.

