



30 April 2018

Tax Working Group Secretariat  
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**Re: Submission on The Future of Tax**

Please find attached a submission from the Department of Public Health, University of Otago, Wellington.

This submission has been coordinated by Louise Delany, who welcomes discussion if required. Please contact her on 04 385 5541, extn 4833 or [louise.delany@otago.ac.nz](mailto:louise.delany@otago.ac.nz).

Yours sincerely

**Professor Diana Sarfati**  
Head of Department

# Submission of the Department of Public Health, University of Otago, Wellington, to the Tax Working Group on the

## *Future of Tax: Submissions Background Paper*

30 April 2018

### **PART ONE OVERVIEW**

The Department of Public Health, University of Otago, Wellington, welcomes the opportunity to make a submission to this taxation review. An effective and fair taxation system is fundamental to a good society. The Department bases its submission on values that underpin public health policy and concepts of social justice; evidence informing that policy; and Treaty of Waitangi provisions and principles.

#### **Structure of this submission**

Following this overview, we set out our recommendations in Part Two. Part Three responds in more detail to the chapters in the Tax Working Group Background Paper (BP) and its questions.

Several questions elicit identical responses; to avoid duplication we have cross-referred some responses.

This submission draws on material in other submissions. In particular, the section on tobacco taxation is a summary of the ASPIRE 2025 submission (ASPIRE 2025 is based in the University of Otago Wellington). We have drawn on Alcohol Healthwatch's submission on issues relating to alcohol, and have discussed ideas on our submissions with the CTU, OXFAM, NZNO, and Equality Network. The section on housing draws in part on a submission from the New Zealand Centre for Sustainable Cities. While many of our recommendations focus on different areas from those other organisations, we believe there is general consistency on principles.

#### **Preliminary comments**

*Need for measures both in the short and long term:* Design of any taxation system should be evolutionary and able to respond to changing circumstances, many of which may be unforeseeable. Design also needs to take into account public and political acceptability. While most of our recommendations could be implemented in the relatively short term (ie within the next five years), we also suggest some changes that New Zealand could work towards over the medium or long term.

*Recognition that tax alone cannot be effective in achieving goals.* We are aware that tax strategies, while very useful in achieving some social goals, are also not sufficient, and that ideally taxation measures should take effect in conjunction with other measures, regulatory and non-regulatory.

*Need for tax to be linked to expenditure measures:* It is unfortunate that this review is not linked to other vital aspects of a taxation system: namely the *use* of funds generated by tax revenue. The planned and related review of the welfare/transfer system has not yet begun. It is difficult to discuss the purpose and principles of tax when some of the aims of taxation

require a focus on, and are justified by, what that revenue is to be used for. As acknowledged on p. 20 of the BP:

*“when thinking about the distribution of taxes, equity and fairness, it is best to think of the tax and transfer system overall, rather than individual taxes in isolation.”*

Some of our recommendations, therefore, take into account issues relating to the overall tax and transfer system, and may also need to be modified in light of outcomes of the planned transfer review. We recommend that the Draft Report of the Tax Working Group (TWG) - scheduled for September 2018 - be aligned as far as possible with the Transfer Review (whose work will hopefully be advanced at that stage).

## **Overview**

### *What is a good tax system?*

A taxation system for New Zealand, including both revenue gathering and tax expenditure, constitutes the foundation of a modern society that should be based on fairness; facilitate social and economic well-being, and financial stability; in a way that is environmentally sustainable; and:

- generate sufficient revenue to provide appropriate social infrastructure and services to enable attainment of social, health and other common good goals;
- reduce inequalities within New Zealand between communities, over time and between generations;
- eliminate child poverty;
- contribute towards the lessening of global inequalities.

This vision of a good taxation system provides the following criteria for assessing the performance of New Zealand’s tax system:

- does the system enable economic productivity that is environmentally sustainable?
- does the system contribute to achieving public goods such as improved health, enhanced environments, and minimisation of New Zealand’s contribution to climate change?
- does the system generate sufficient revenue to;
  - provide appropriate social infrastructure and services to enable attainment of social, health and other common good goals?
  - reduce inequalities within New Zealand between communities and across generations?
  - eliminate child poverty? and
  - contribute towards the lessening of global inequalities?

### *What is fairness?*

We identify many aspects of what contributes to ‘fairness’ that underpin this overall concept for a fair taxation system. We support the general principles and values set out in the TWG BP, but also suggest some further aspects of fairness. These elements of fairness are interrelated; they do not always align and may sometimes have different implications.

Together, with some compromises between different facets of fairness, they underlie a fair tax system.

1. *Fairness in the New Zealand setting involves partnership and protection principles derived from the Treaty of Waitangi;*
2. *Fairness involves similar tax treatment of similar taxpayers (ie, 'horizontal equity', as referred to in the BP);*
3. *Fairness relates to cultural norms of 'what is fair', in particular a recognition that tax contributions relate to benefits received;*
4. *Fairness provides for contributing differently in accordance with different capacity ('vertical equity' as identified in the BP). This aspect of fairness implies a system of progressive taxation with redistribution of wealth and resources to reduce inequalities and poverty;*
5. *Fairness in taxation calls for tax policy that enables implementation of human rights, in particular a child's right to well-being and freedom from poverty. Fairness in taxation and the realisation of human rights will be critical to implementing the Sustainable Development Goals. New Zealand has treaty obligations in this area (eg, the United Nations Convention on the Rights of the Child). This aspect of fairness involves both attention to human rights in New Zealand and bringing about a more equitable global society in which all thrive. The Human Rights Commission has highlighted human rights obligations to which New Zealand is committed, (Human Rights Commission of New Zealand, 2018) with reference to the International Covenant on Economic Social and Cultural Rights; and the Report of the Special Rapporteur,(Alston, 2015) who noted in para 53 that 'tax policy is ...human rights policy'. We also refer to the Lima Declaration on Tax Justice and Human Rights: "Tax revenue is the most important, the most reliable and the most sustainable instrument to resource human rights in sufficient, equitable and accountable ways."(Center for Economic and Social Rights et al., 2015);*
6. *Fairness requires offsetting externalities where the market has failed to address negative effects created by particular activities - health, social, or environmental;*
7. *Fairness requires recognition of the need for compensation for harms, historic and continuing, that have in part caused global poverty and inequalities. This is relevant to inequalities between countries; and also relevant to inequalities between particular groups within countries;*
8. *Fairness acknowledges connections between the sources of tax revenue and their use: Revenue that is gathered in order to compensate for historical harms, externalities, or to influence corporate/individual behaviour, should be used, at least in part, to address those harms and externalities.*

## Strategies for achieving a good tax system

The three main sources of tax revenue are taxes on income, goods/services, and assets. We recommend the following changes to the taxation system to enhance fairness and help achieve public goods:

1. Tax on income be more progressive (to reduce inequalities, poverty);
2. Tax on goods/services be reduced (to reduce inequalities, poverty);
3. Taxes on wealth form a proportionately greater source of tax revenue.

In addition:

4. Taxes on income and wealth focus as much on corporate entities as well as individuals;
5. Reforms are needed to ensure that cross-border taxes are collected rather than being avoided, evaded, and generally not paid;
6. A greater focus is needed on taxes on goods, services and activities which create externalities (for the environment, health, and other common good objectives) in order both to reduce the extent and nature of relevant activities and compensate for their externalities.

We consider that measures to achieve the recommended aims through a reconfigured taxation system should together enable a *higher overall* tax take sufficient to minimise inequalities, eliminate child poverty, and attain social goals; and reduce implications of tax for specific groups through a lower rate of income tax for low-income groups and reduced GST on most items.

Our submission provides background on many of the issues raised in the BP and discusses some specific ideas such as relating to wealth taxes. We recognise that many of such issues are complex, and that evidence on efficacy of some proposals may vary. We emphasise, therefore, that for some topics we are less concerned about *how* any of the particular aims (as set out above) are achieved - for example there may be a number of feasible options for increasing the proportion of tax revenue derived from wealth – provided that the general aim of an increase is attained. We note, however, that reasons for rejecting a possible measures because 'it hasn't worked in the past' may not remain forever valid. Technological changes may in some cases make implementation of some measures (such as forms of wealth taxes) more feasible now.

## **PART TWO: SUMMARY OF RECOMMENDATIONS**

The following recommendations follow, broadly speaking, the chapters in the Tax Working Group Background Paper (BP). Some recommendations are identified as more long term, while others are achievable in the short term, ie within the next five years. The final two recommendations do not relate to substance but on process.

### **RECOMMENDATIONS**

- 1. That change is needed for a positive tax culture;** that is, a culture that sees fair taxation as an essential basis for a good society; recognising that:
  - (1) Tax policies over recent decades in New Zealand have, in conjunction with other policies, helped increase inequalities and reflect distrust of the state's role in furthering explicit social goals;
  - (2) It is time to reintroduce social wellbeing as the paramount aim of tax and social policy in order to reduce inequality, achieve social justice, and attempt to avert environmental disaster.
  
- 2. That the following concept of a good tax system, with its underlying values, are endorsed:**
  - (1) A taxation system for New Zealand, including both revenue gathering and tax expenditure, constitutes the foundation of a modern society that should be based on fairness; facilitate social and economic well-being, and financial stability; in a way that is environmentally sustainable; and:
    - a. Generate sufficient revenue to provide appropriate social infrastructure and services to enable attainment of social, health and other common good goals;
    - b. Reduce inequalities within New Zealand between communities and between generations;
    - c. Eliminate child poverty;
    - d. Contribute towards the lessening of global inequalities.
  
  - (2) *Aspects of fairness that underpin a good taxation system include:*
    - a. Partnership and protection principles derived from the Treaty of Waitangi;
    - b. Similar tax treatment of similar taxpayers ('horizontal equity');
    - c. Cultural norms of 'what is fair', eg that tax contributions relate to benefits received;
    - d. Contributing differently in accordance with different ability;
    - e. Enabling implementation of human rights, in particular a child's right to well-being and freedom from poverty;
    - f. Offsetting externalities where the market has failed to address negative effects created by particular activities - health, social, or environmental;
    - g. Recognition of the need for compensation for harms, historic and continuing, that have in part caused global poverty and inequalities - relevant to inequalities between and within countries.
    - h. *Acknowledges connections between the sources of tax revenue and their use:* Revenue that is gathered in order to compensate for historical harms, externalities, or to influence corporate/individual behaviour, should be used, at least in part, to address those harms and externalities.

**3. That the following strategies for the overall design of a good system are adopted, along with policies for tax expenditure:**

- (1) *A significantly higher tax take implemented incrementally;*
- (2) *Comprehensive progressivity on income tax:* this would involve treating all income as eligible for tax, ie income from wages, salaries, transfers, benefits, superannuation, income from trusts, and rents; with reduced levels of tax up to certain levels of income; and higher rates at upper levels;
- (3) *Wealth tax:* Taxes on wealth should constitute a greater proportion of tax revenue. It is recognised that options for introducing wealth taxes need to be carefully explored. Options to be considered could include taxation on land, wealth, capital, comprehensive capital gains, inheritance, gifts, and stamp duties. Suggestions have also been made for the reduction of taxes on retirement savings for those born after 1980. There are also options as to *how* any wealth tax would be paid (eg via a small annual percentage tax paid on high wealth). Further issues related specifically to housing are discussed in responding to Ch 7 *Specific Challenges*;
- (4) *Continuation of, but possible reduction in level of, consumption tax (GST) for most items:* reduction is justified on the grounds that GST contributes to inequalities. However GST for some goods and services should be continued at current levels and increases in specific taxes considered (eg (tobacco, alcohol, sugar sweetened beverages, with appropriate hypothecation of revenue (see below));
- (5) *Corporate entity tax to be comprehensive but also more nuanced.* That is, corporate taxes should cover *all* entities with different kinds of corporate status, such as trusts and corporations; and as far as possible should be taxed at similar rates (eg trusts and corporations should be taxed at similar rates to reduce incentives for restructuring for tax avoidance purposes);
- (6) *Options for financial transaction taxes, and other taxes relevant to corporates* including diverted profit taxes, should be considered as long term options (long term recommendation);
- (7) On the *transfer side*, our system should ensure greater levels of transfer payments for children and families to mitigate, in particular, child poverty;
- (8) *Consideration of a universal basic income* for those without work, both to reduce inequalities and poverty, and recognise the importance of time spent on such activities as child and elder care, artistic endeavour, amateur sport, or involvement with non-governmental organisations (long term recommendation);
- (9) Taxes to modify individual and corporate behaviour for the public good (see below);
- (10) Minimisation of cross-border tax avoidance (see below).

**4. That taxes to modify corporate and individual activity/behaviour are legitimate where externalities are created and health, social and environmental harms exist;** specific examples relevant to health (for environmental harms, see below) are:

1) *Tobacco:*

- a. *Government mandated tobacco prices:* The tobacco tax system should include fixed retail prices and maximum prices before tax.(Branston & Gilmore, 2014; Gilmore, Branston, & Sweanor, 2010);
- b. *Dedicated tax:* Until 2025, the dedication of at least \$100m of tobacco tax revenue annually creating an environment that minimises smoking uptake and supports smokers to quit;
- c. *Tobacco tax rises:* Continuing to use tobacco tax increases to reduce smoking prevalence, *as long as* a proportion of tobacco tax revenue is used for tobacco control, and smokefree policy changes are made to make it easier for smokers to quit;
- d. *Differential increase in loose tobacco tax:* Ensure that roll your own cigarettes are not a cheaper alternative to factory made cigarettes and do not encourage smokers to switch between products as an alternative to quitting. This can be done by implementing a differentially greater increase in loose tobacco roll your own taxation, monitoring the impact and repeating as necessary.

2) *Alcohol:*

- a. Alcohol excise rates to be raised by at least 50% across all alcohol products to raise the price of alcohol by at least 10%
- b. Excise rates to be 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)
- c. Rates of excise tax should be calculated on 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 based on the highest alcohol content for that category of alcoholic beverage
- d. Alcohol taxes be implemented along with a Minimum Unit Pricing Policy to address the availability of very cheap alcohol which may reduce the impact of tax increases
- e. The existing level of tax hypothecation should be increased.

3) *Sugar sweetened beverages (SSB)*

- a. A tax on these beverages should be put in place in conjunction with other measures to decrease availability and consumption
- b. The tax system for SSBs should be designed to maximise the stimulus to manufacturers to reformulate products to have a lower sugar content as well as discouraging consumption by consumers.

4) *Options for taxes relating to products and services with adverse health consequences, such as forms of non-nutritious food, and gambling, to be kept under review in the light of evidence of harm and efficacy of measures (long-term recommendation)*

**5. That the TWG recognise that tax minimisation strategies on the part of corporates and individuals with cross-border reach** results in significant loss of revenue to New Zealand (as well as other countries); noting in particular that:

- (1) The Taxation (Neutralising Base Erosion and Profit Shifting) Bill currently before the New Zealand Parliament takes only modest steps towards reducing the level to

which corporations and wealthy individuals are enabled to avoid tax, and should, at least, not be weakened;

- (2) As the Taxation (Neutralising Base Erosion and Profit Shifting) Bill in itself will do little to address basic issues, the TWG should agree to a process of reviewing cross-border transactions that would go wider than the present Bill, and focus on (1) unitary taxation enabling taxation of whole corporate entities and (2) a coherent international regime overseen by an appropriate international body (long-term recommendation).

**6. That hypothecation/dedication of specific taxes for specific health, environmental or common good purposes is justified, in appropriate cases, in order to:**

- (1) Ensure continuity of funding;
- (2) Provide visible and tangible evidence of governmental commitment to reduction of social harm;
- (3) Identify clearly, for those who pay such taxes, their eligibility for services in return, ie support in improving their health and environmental protection;
- (4) Provide reassurance that the purpose of common good taxes is not only revenue generation but health and environmental improvement;
- (5) Signal, in symbolic but important ways, recognition of the reciprocal duties and relationships inherent in any tax system between state and citizens.

**7. Housing**

- (1) A capital gains tax should be introduced/extended which includes assets such as all investment properties, as well as other properties capable of generating capital gain;
- (2) The tax categorisation of expenditures on rental housing should be revised as an incentive for bringing a property up to the Building Code, or the regulatory standards under the Healthy Homes Guarantee Act 2017 (whichever standards are higher), so that the costs of bringing rental property up to the Code would be treated as 'maintenance' not 'improvement'.

**8. Environmental taxes: that the use of taxation for environmental protection (in conjunction with other policy measures) be endorsed:**

- (1) For goods and services throughout their life cycles: eg collection, production, use, disposal; in all domains eg transport; energy production/use; food water production use; agricultural /pastoral/forestry/fishing activity; housing construction; and technological construction;
- (2) That (ideally) a system with tax incentives and disincentives for all goods and services be adopted, based on certification of products and services against standards relevant to the environment, health and human rights, (long term recommendation);
- (3) A specific focus on carbon tax to replace the existing emissions scheme, ideally both hypothecated and designed to be overall revenue-neutral;
- (4) Consideration to be given to other taxes relevant to the environment, eg fertilisers, pesticides, (long term recommendation).

**9. That the process of submission analysis be seen as a beginning for the TWG, not the end, and that:**

- (1) Ways of continuing conversations be developed - eg with invitations for oral discussions and provision for further input and information;
- (2) The TWG identify from their submission analysis possible gaps in the range of submissions received and create further opportunities for submissions from any relevant communities or groups;
- (3) Creative ways be developed for ensuring productive and inclusive discussion on the first draft of the TWG report in September 2018.

**10. Alignment of reviews:** We recommend that the Draft Report of the TWG (scheduled for September 2018) be aligned as far as possible with the Transfer Review (whose work will hopefully be advanced at that stage).

## **PART THREE: RESPONSES TO TWG BP SPECIFIC CHAPTERS**

### **Response to Chapter 2 Background Paper: The future environment**

This chapter asks:

What is seen as the main risks, challenges, and opportunities for the tax system over the medium- to long-term? Which of these are most important? How should the tax system change in response to the risks, challenges, and opportunities you have identified? How could tikanga Māori (in particular manaakitanga, whanaungatanga, and kaitiakitanga) help create a more future-focussed tax system?

Many of the issues identified in chapter 2 are clearly important to considering the future environment in which a tax system would operate: changing demographics, te ao Māori; the changing nature of work, technological change, and patterns of globalisation. We are, however, uncomfortable with the chapter's framing of inequality issues: the challenge is posed as a 'concern about inequality' rather than inequality itself! We have four main points about the background paper's (BP) outline of future issues:

1: The paper does not mention 'poverty' as a main risk/challenge over the medium to long term and, specifically, does not refer to child poverty. We consider that poverty and its amelioration or, worded more positively, child rights to wellbeing, provide a challenge and opportunity for changes to the tax system.

The Living Standards Framework developed by Treasury identifies four capitals that are essential for intergenerational wellbeing. Three of these capitals - human, social, and economic - are directly influenced by child wellbeing. Thus, in addition to the moral and legal imperative of supporting children's wellbeing as codified in the United Nations Convention on the Rights of the Child, an investment in children is an investment in our collective future.(Boston, 2014)

Children born into adverse early environments are at risk of experiencing poor outcomes in virtually every domain of health and wellbeing, with more adverse outcomes for each increment of increasing disadvantage.(Goldfeld et al., 2018)

These inequities play out across the life-course in multiple ways including increased risk of physical and mental health problems, lower educational attainment and reduced employment capability. All of these inequities can be observed in the New Zealand population.(Baker et al., 2012; Boston, 2014) Moreover, if not addressed in time, early disadvantage in one generation is transmitted on to the next through multiple pathways including the programming effect of pervasive, long-term stress (also known as toxic stress) on unborn children. (Shonkoff et al., 2012)

A substantial body of research evidence demonstrates the mechanisms through which poverty gets 'under the skin' to influence child wellbeing.(King et al., 2012) Family income matters for children, although measures for increasing family income should take effect in conjunction with other policies to mitigate the consequences of child poverty (Cooper & Stewart, 2013; Gershoff, Aber, Raver, & Lennon, 2007)

2: The BP understates some of the combined implications of globalisation, digitalisation, and changing patterns of work. Digital technologies and the use of artificial intelligence are likely to disrupt the nature of work, lead to an increase in levels of transient unemployment, eliminate jobs, lead to widening inequality, and threaten tax revenue.(Boyd & Wilson, 2017)

3: The BP identifies ‘falling company tax rates’ as a risk (or challenge, or opportunity). This is the only instance in this chapter where issues to do with corporate taxation are mentioned. This view of corporate taxation issues, and the conclusions to which it leads, i.e: “New Zealand must be aware of the international environment and future governments should have the option of reducing the company tax rate if this is considered sensible..’ (p 14) is extremely limited as a perspective on the challenges and risks posed by international tax law/policy. It invites the solution of a ‘race to the bottom’ which has been detrimental at both national and international levels. The risks to the tax system posed by corporate taxation issues are far broader than that outlined, stemming from arrangements that enable minimal tax to be paid. While this is more clearly seen at the international level, given other issues identified in this chapter, especially globalisation and changing technology, it is not possible to separate international aspects of taxation from national ones. We return to ‘opportunities’ for corporate taxation issues in our response to ch 6, on cross-border transactions.

4: The last risk/opportunity identified in this chapter of the BP is that of ‘environmental challenges’. While we do not disagree with what is said, we believe the paras on P 14-15 significantly underplay the significance of environmental challenges. The two examples discussed - climate change and biodiversity – are major; but the chapter does not confront head on a central issue: can economic productivity and growth be consistent with environmental sustainability, and if so how?

To summarise our views on this chapter, we agree with the most of the risks and challenges set out, but would add:

1. Child poverty is a risk and challenge;
2. Inequality, not ‘concern about inequality’ should be recognised as a challenge;
3. Changing patterns of work have the potential to significantly increase inequalities
4. Implied concerns about New Zealand’s relatively high corporate tax rates are the least of problems associated with corporate activities;
5. The risks posed by environmental degradation are understated and avoid confrontation between drives towards economic growth on the one hand and global survival on the other.

### **Response to chapter 3: Purposes and principles of a good tax system**

Chapter 3 asks for ideas on principles for assessing the performance of the tax system and definitions of ‘fairness’.

We support the general principles and values set out in the background paper, but expand on them further, as set out in our Introduction with our high-level perspective on taxation, and concepts of fairness.

## **Response to chapter 4: The current New Zealand tax system**

Chapter 4 asks questions about (1) the overall design of our tax system, (2) any greater role for taxes that intentionally modify behaviour; and (3) issues about retirement.

### **Overall design of our tax system**

While in principle the concept of a system that is broad-based and as low-rate is reasonable, these ideas are a means to an end rather than the end itself. The more fundamental question is the extent to which our tax system contributes towards societal wellbeing in a way that is socially just and environmentally sustainable for future generations as well as our own. Trends in tax policy since the 1980s (in New Zealand and elsewhere) have occurred in conjunction with other policies that aim to contribute to the free operation of markets and efficiency (Christensen, 2017)(p 6). These policies neglect inequalities and implicitly distrust the state's role in furthering explicit social goals. Compared with OECD countries we are a low tax country (low 30% of GDP compared with mid 40% of Scandinavian countries - prosperous nations with high quality of life). Taxation can affect both wealth and income inequality. Income and wealth inequality in New Zealand have grown significantly since the mid-1980s. High levels of income and wealth inequality have harmful effects on many determinants and pathways related to social wellbeing, levels of cohesion and cooperation in society and the economy.

In more recent times economic growth has slowed but inequalities have not decreased. In fact, there are risks that inequalities may over time become exacerbated with changing patterns of employment, eg, rapid advances in digital technologies, including artificial intelligence, threaten to widen wealth and income inequalities, and may lead to an increase in levels of transient or ongoing unemployment. It is also now clear that market-oriented policies in general have had detrimental environmental consequences with consequences for the current major threat to planetary health and human wellbeing – climate change.

Given the implications of inequalities, poverty, environmental degradation and climate change for public health and child health, and wellbeing, a system that is more progressively based is needed. This should be more broadly based, with a greater proportions of revenue from taxes on wealth, environmental externalities and cross-border activity; and implemented in a way that does not damage the poor.

### **Strategies for implementing a good tax system**

*A significantly higher tax take:* In order to reduce inequalities, eliminate child poverty, and attain a range of social and common good goals, including the provision of appropriate health and social infrastructure and services, a higher overall tax take is required: possibly in incremental stages up to 40% of GDP.

*Comprehensive progressivity on income tax:* this would involve treating all income as eligible for tax with reduced levels of tax up to certain levels of income. eg income from wages, salaries, transfers, benefits, superannuation, income from trusts, rents, all realised capital gain including the family home, inheritances, and gifts.

*Some form of wealth tax or taxes:* Current tax settings do not fairly or adequately tax high levels of wealth and we consider that options for introducing wealth taxes should be carefully explored. There are a number of types of tax on wealth that exist around the world and/or are proposed, ranging from the very general (the concept of a net wealth tax) to the specific - such as capital gains tax, inheritance taxes, gift duties, and stamp duties. Such specific taxes have been used in this country in the past. (We recognise that New Zealand does have a form of capital gains tax, but it is not a comprehensive one given it does not apply to all rental houses or houses occupied by their owners.)

The aim of taxing wealth is to collect revenue, redistribute wealth more fairly, treat income earned through rises in capital value consistently across different types of assets (e.g. housing or investments) and to design a system that is not easily avoided. We recognise that it is not easy to tax wealth effectively, but it remains important to try to ensure that high wealth holders contribute to the wellbeing of all through the tax system.

Issues relating to wealth inequalities, and wealth taxes are discussed in the New Zealand PSA booklet: (New Zealand Public Service Association, 2017)). Wealth taxes are suggested such as the reinstatement of estate and gift duties. “A simple and progressive structure for an estate duty would be to exempt an amount approximately equal to the median house price (\$550,000 at time of writing) and tax the remainder at the top income tax rate which is currently 33% but should be higher ..’ <https://www.psa.org.nz/media/news/progressive-thinking-ten-perspectives-on-tax/>.

A small annual percentage tax paid on high wealth could generate significant revenue but its annual cost to individual asset holders would not be great enough to encourage avoidance or tax minimisation strategies.

Many of these issues are canvassed in a recent OECD study(OECD, 2018a) which suggests that ‘there is a strong case for addressing wealth inequality through the tax system’ and that while options include a net wealth tax, there are also options for ‘personal capital income tax’, inheritance and gift taxes. The report has useful recommendations for both designing wealth taxes and putting them into effect. <http://www.oecd.org/tax/the-role-and-design-of-net-wealth-taxes-in-the-oecd-9789264290303-en.htm> The OECD concludes that countries that do not have significant taxes on personal capital income or inheritance taxes could benefit from a form of “net wealth tax” that include various kinds of annual tax on individual wealth stocks, net of debt.

*Continuation of, but possible reduction in level of, consumption tax (GST) for most items:* reduction is justified on the grounds that GST contributes to inequalities. However GST for some goods and services which adversely affect public goods such as health and the environment should be continued at current levels with increases in specific taxes considered eg, tobacco, alcohol, SSB), with appropriate hypothecation as discussed below.

*Corporate entity tax to be comprehensive but also more nuanced.* That is, corporate taxes should cover *all* entities with kinds of corporate status, such as trusts and corporations; and as far as possible should be taxed at similar rates (eg trusts and corporations should be taxed at similar rates to reduce incentives for restructuring in order to avoid tax).

*Effective measures to increase tax revenue by reducing cross-border tax avoidance.* This needs not only effective implementation of the current Taxation (Neutralising Base Erosion and Profit Sharing) Bill; but, more importantly, measures to ensure a unitary approach to taxing multinationals and a more coherent international taxation governance approach (eg through creating an appropriate global body). This issue is discussed further in response to chapter 6 BP. Effective reduction of cross-border tax avoidance would help contribute also to effective implementation of wealth taxes.

*Specific taxes to compensate for externalities and/or influence for social objectives corporate and or individual activities* (eg, tobacco, alcohol, sugar sweetened beverages (SSB) taxes, environmental taxes). This issue is discussed further below, with reference to tobacco, alcohol, SSB; and with reference to environmental issues in response to chapter 7 BP.

Our system also, on the transfer side, should envisage:

1. greater levels of transfer payments for children and families to mitigate, in particular, child poverty;
2. consideration of a universal basic income (UBI) for those without work, both to reduce inequalities and poverty, and recognise the importance of time spent on such activities as child and elder care, artistic endeavour, amateur sport, or involvement with non-governmental organisations.

### **Use of tax for behaviour modification**

Tax always and inevitably influences corporate and individual behaviour, whether intentionally or not. By its very nature tax involves incentives and disincentives that have implications for economic activity. Hence while we agree that tax has a role in modifying behaviour, primarily at the corporate but also individual level, exploring the function of tax in relation to behaviour modification is not a new form of ‘nanny state-ism’. Instead it is acknowledgement that tax can and should be used to help achieve common good goals.

P 26 of BP sets out two justifications for using taxes for these purposes; based on (1) externalities and (2) motivating individuals who might not otherwise act in their own best interest. A third justification which frames the externality issue at a higher level is the role of tax in shaping a society that seeks to achieve common good goals, ie economic wellbeing, human rights, social justice, and environmental sustainability.

#### *Extent of externalities:*

An example of the extent of possible externalities comes from the health sector which accounts for \$15.6 billion of government expenditure (the second largest expenditure source after Social Security and Welfare). Using the tax system to prevent disease has the potential to reduce the tax take needed to maintain current provision of services, or to provide additional government services within the existing revenue collected. For example, our modelling work shows that a strategy of future tobacco tax increases would save NZ\$ 1.1 billion in future health system costs (over the lifetimes of New Zealanders alive in 2011) (Blakely et al., 2015) – in addition to the additional tax revenue raised (L. J. Cobiac, Ikeda, Nghiem, Blakely, & Wilson, 2015). Similarly, a salt tax could save NZ\$ 1.0 billion in health

system costs (as well as raising \$452 million in revenue per year) (Nghiem, Blakely, Cobiac, Pearson, & Wilson, 2015) .

*Specific issues:*

Specific products and services that relate to activities with a range of harms and for which taxation should be considered, primarily at the corporate level but with some implications for individuals, are:

1. Tobacco;
2. Alcohol;
3. Sugar sweetened beverages;
4. Other products and services with potential harm consequences such as non-nutritious food and gambling.

Our specific recommendations on these issues are: (ideas on environmental taxes are set out in our response to chapter 6)

### **Tobacco**

Research indicates that tobacco tax increases are the most effective single way of reducing tobacco smoking prevalence, initiation and inequalities in smoking.(Hiscock et al., 2017) In New Zealand, the decline of smoking prevalence and tobacco sales has been helped by the recent (2010-18) period of regular above inflation tax increases.(Health Promotion Agency, 2018; N Wilson et al., 2017)

Tobacco tax increases in New Zealand can produce further health gains, reduce health inequalities and generate cost-savings for the health system. (Blakely et al., 2015; Cleghorn et al., 2017; L. J. Cobiac et al., 2015; van der Deen et al., 2017) There are also some risks from high tobacco taxes. These include financial harm to smokers, increased tobacco-related retail robberies, and encouraging smuggling and an illegal tobacco market. (Ajmal & U, 2015; L. J. Cobiac et al., 2015) These risks can be reduced (by retail legislation and better tobacco control policy) or are minimal (the illegal market).

The best available evidence suggests illicit tobacco sales are and will be a small problem in New Zealand (Ajmal & U, 2015; L. J. Cobiac et al., 2015) and the degree to which retail-related robberies have increased and if they have the contribution of tobacco taxes is uncertain. However, it is widely perceived as a problem. However, rather than changing the tobacco taxation policy and abandoning an effective means to reduce smoking uptake and promote quitting, the best approach may be to implement complementary tobacco control measures such as restricting where tobacco can be sold to more highly secure premises.

There can be financial harm for smokers who do not quit or sufficiently reduce smoking after tobacco tax increases, though any harm to health among smokers is small relative to the health benefits to those who quit smoking. (N. Wilson, Thomson, Tobias, & Blakely, 2004) The economic effects are also mixed – for examples smokers who quit or never start as a result of tobacco tax increases will benefit greatly economically. However, some disadvantaged continuing smokers (and their families) will suffer significant adverse financial consequences. Such consequences could be ameliorated by other changes to the

tax system (e.g. reduced GST and lower income tax for people on low incomes) to promote reduced poverty and inequalities. In addition, these adverse impacts could be minimised through hypothecation of some of the tobacco tax revenue to measures to promote and support quitting, particularly for low income smokers. This approach is supported by the finding that New Zealand smokers support tobacco tax increases as long as some of the tax revenue is dedicated to helping them quit. (N. Wilson et al., 2010)

### **Recommendations:**

1. *Government mandated tobacco prices:* The use of a tobacco tax system that includes fixed retail prices and maximum prices before tax.(Branston & Gilmore, 2014; Gilmore et al., 2010);
2. *Dedicated tax:* Until 2025, the dedication of at least \$100m of tobacco tax revenue annually creating an environment that minimises smoking uptake and supports smokers to quit;
3. *Tobacco tax rises:* Continuing to use tobacco tax increases to reduce smoking prevalence, *as long as* a proportion of tobacco tax revenue is used for tobacco control, and smokefree policy changes are made to make it easier for smokers to quit;
4. *Differential increase in loose tobacco tax:* Ensure that roll your own cigarettes are not a cheaper alternative to factory made cigarettes and do not encourage smokers to switch between products as an alternative to quitting. This can be done by implementing a differentially greater increase in loose tobacco roll your own taxation, monitoring the impact and repeating as necessary.

### **Alcohol**

Alcohol causes significant harm. In the short-term, alcohol is associated with increased rates of injury and criminal offending. (Boden, Fergusson, & Horwood, 2013; Gmel & Rehm, 2003). Longer-term alcohol consumption increases risk of chronic diseases, such as liver cirrhosis, cancer and alcohol dependence.(Shield, Parry, & Rehm, 2013) While there is some evidence that low-level drinking may have a protective effect against non-fatal heart attacks, the risk for other cardiovascular diseases (eg, stroke) is increased, and the total net harm to health is increased above 100 grams of alcohol per week. Indeed, there is six months life expectancy loss estimated for consumption at only >100 to ≤200 g of alcohol per week [22], or 10 to 20 standard drinks per week in New Zealand. (Parry, Patra, & Rehm, 2011)

In addition to harms for the drinker, various New Zealand studies show how important *harm to others* from alcohol in this country.(Connor & Casswell, 2009, 2012; Connor, You, & Casswell, 2009) Some of the worst examples are where alcohol is a component of road traffic deaths involving others, violent crime against others, and lifetime harm to others via foetal alcohol spectrum disorder and child neglect. The total health harm from alcohol use makes it the fifth most important risk factor (albeit with other drugs) for health loss in New Zealand. (Institute of Health Metrics and Evaluation) As such, alcohol use is a major contributor to health costs, to lost productivity for New Zealand businesses (and therefore tax revenue to the government) and to financial costs to society associated with crime, including property damage, police and court time, and incarceration.

These problems help justify relatively high alcohol taxes on negative externality grounds and promotion of individual and societal welfare.

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 women. There remain significant inequities in alcohol-related harm between Māori and non-Māori.

Raising the tax on alcohol would provide a price incentive to reduce consumption, and therefore reduce the harm and associated health and societal costs. Increasing alcohol tax has been widely recommended by health experts in New Zealand and also in a thorough Law Commission Report. (Law Commission, 2009) Increasing alcohol tax is very likely to produce health gain, particularly by reducing injuries (see these 2 systematic reviews: (Elder et al., 2010; Wagenaar, Tobler, & Komro, 2010)). Higher alcohol taxes are also likely to save health system costs eg, according to Australian modelling work. (L. Cobiac, Vos, Doran, & Wallace, 2009)

### **Recommendations:**

1. Alcohol excise rates to be raised by at least 50% across all alcohol products to raise the price of alcohol by at least 10%;
2. Excise rates to be 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);
3. Rates of excise tax should be calculated on 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 based on the highest alcohol content for that category of alcoholic;
4. Alcohol taxes be implemented along with a Minimum Unit Pricing Policy to address the availability of very cheap alcohol;
5. The existing level of tax hypothecation should be increased.

### **Sugar sweetened beverages**

We consider that the epidemics of obesity and diabetes justify the adoption of taxes on sugary drinks. There are a growing number of countries and American cities that are adopting taxes on sugary drinks;(Backholer, Blake, & Vandevijvere, 2017) and there is evidence of their efficacy. Possibly of most relevance to New Zealand is the UK “soft drink industry levy” which appears to have resulted in a reported 10% reduction in the average sugar content of energy drinks in the UK – prior to the levy even coming into force.(Hashem, He, & MacGregor, 2017)

### **Recommendations:**

1. A tax on these beverages should be put in place in conjunction with other measures to decrease availability and consumption;
2. The tax system for sugar sweetened beverages should be designed to maximise the stimulus to manufacturers to reformulate products to have a lower sugar content as well as discouraging consumption by consumers.

## **Other potential health-justified taxes**

Mexico has a “junk food” tax which appears to be working (Taillie, Rivera, Popkin, & Batis, 2017) and some European countries tax salty products. (European Commission) Favourable results have also come from a potential salt tax modelled for New Zealand (Nghiem et al., 2015), a modelled salt tax in the USA (Smith-Spangler, Juusola, Enns, Owens, & Garber, 2010), and a range of food taxes modelled for Australia (on saturated fat, salt, sugar, and sugar-sweetened beverages) (L. J. Cobiac, Tam, Veerman, & Blakely, 2017). We expect that these types of taxes on such foods and key ingredients will have merit at some point in the future for New Zealand.

### **Recommendation:**

Options for taxes relating to products and services with adverse health consequences, such as forms of non-nutritious food, and gambling, to be kept under review in the light of evidence of harm and efficacy of measures (long-term recommendation)

## **Response to chapter 5: The results of the current tax system**

This chapter sets out information on the fundamentals of our taxation system. In accordance with our views on the role that tax should play in reducing inequalities and poverty, we have suggested steps in response to chapter 4 to increase the ‘progressive’ aspects of our tax system. Issues on cross-border transactions are discussed in relation to chapter 6.

## **Response to chapter 6: Thinking outside the current system**

This chapter asks:

*What are the main inconsistencies in the current tax system?*

*Which of these inconsistencies are most important to address?*

*Is there a case to consider the introduction of any new taxes that are not currently levied? Should any taxes be reduced if new taxes are introduced?*

The chapter also raises the question of whether taxes for some purposes should be hypothecated, ie dedicated for specific purposes.

The main inconsistencies in our current system arise from:

1. the emphasis on taxing income and goods/services but not capital/wealth;
2. the consequences of cross-border transactions that allow entities that operate cross-borders to evade tax obligations.

We recommend, as outlined in chapter 4, a wealth tax, to be applied to individuals and corporate entities of all kinds, along with a focus on corporate taxation, especially with

regards to cross-border transactions but to include perhaps limited financial transaction tax of some kind; plus tax on assumed diverted profits (rebuttable).

### **Cross-border transactions**

Review of New Zealand's tax system must include a focus on cross-border international tax because cross border transactions have implications for the amount of revenue gathered, fairness, and equity values.

#### *Countering Taxation (Neutralising Base Erosion and Profit Shifting) Bill BEPS Bill*

The BP notes that New Zealand is at present implementing OECD recommendations on some issues related to cross-border transactions through the Countering BEPS Bill. We will not focus on proposed measures included in the Bill, apart from one recommendation. Instead we focus on the root causes of the issues that allow and facilitate tax avoidance by multinational entities.

Our one recommendation on the BEPS Bill arises from a review of submissions on the Bill: most are from corporate entities and their representatives; and many although not all set out significant concerns about the Bill's implications. The basic and quite explicit fear of some entities is that the Bill will result in a less competitive environment for corporates. We recommend, at the very least, that the Bill not be weakened in any way.

#### *Addressing the causes of tax avoidance:*

While we support the OECD BEPS work, and the Bill, we consider that it is incapable of actually addressing the root causes which enable multinational enterprises (MNEs) to minimise and evade tax obligations. The ability of MNEs to evade tax rests, to a large extent, on a presumption that MNEs, for instance Google or Amazon, are composed of lots of small entities, enabling their manipulation of rules in different countries to pay the least tax possible. This presumption does not accord with the legal and business realities of MNEs, which are more realistically seen as whole corporate structures. The OECD recommendations, in the view of NGOs concerned with tax justice, and some academics, perpetuate the inaccurate notion that business entities such as Google are lots of small entities. The OECD proposals are concerned with devising rules that improve transactions between the sub-entities (such as, for example, what rates of interest or loans they can lend each other).

Our medium-term recommendations are therefore: that New Zealand works with other international agencies for a comprehensive review of international tax that would enable more tax to be collected from MNEs and cross-border tax (which could in turn allow a reduced level of income tax from low-income individuals/families); greater fairness (with regards to locally-based businesses); and potentially some income thus generated able to be used for international purposes. Any such review would require a focus on international law and policy for an issue which is international: a focus on the use of unitary taxation (instead of the approach which regards MNEs as Google as composed of multiple entities); and establishment of an international body (along the lines of WHO for health or WTO for trade) that would instigate and monitor the development of a unified and coherent regime to minimise tax avoidance by multinational agencies and individuals with cross-border reach.

## **Recommendations on cross-border tax issues:**

1. That the TWG recognise that tax minimisation strategies on the part of corporates and individuals with cross-border reach results in significant loss of revenue to New Zealand (as well as other countries);
2. That the BEPS Bill takes only modest steps towards reducing the level to which MNEs are enabled to avoid tax, and should at least not be weakened;
3. That the TWG agree that a process of cross-border transactions be initiated, to go wider than the present Bill, to focus on (1) unitary taxation enabling taxation of whole corporate entities and (2) a coherent international regime overseen by an appropriate international body.

## **Hypothecation**

The BP notes that, although the New Zealand system does not generally favour hypothecation, there are exceptions. Justifications for hypothecation referred to in the BP include ensuring that the public understand and support the need for the tax. The BP also notes some downsides.

We consider that the BP omits a primary justification for tax dedication, that is, fairness. It is recognised that existing taxes on tobacco, and possible new or increased taxes on other products such as alcohol or gambling, could be argued to result in increased poverty – for those whose addiction is such that they cannot quit or sufficiently cut down. New Zealand qualitative research indicated that many of those unable to quit ‘felt victimised by a punitive policy system that coerced change without supporting it.’ (Hoek & Smith, 2016) In New Zealand, research has found that tobacco spending can have a major effect on households with children. (Thomson, Wilson, O’Dea, Reid, & Howden-Chapman, 2002)

In our view this ethical dilemma – that is whether to increase population equity by reducing levels of incidence and/or consumption by increasing the cost of tobacco when this can involve difficulties at the individual level – would be addressed to at least some extent by dedicated taxes to be used for helping people quit tobacco. Dedicated taxes, at least in relation to tobacco control and possibly other health issues, is justified by two elements of fairness as identified above: those of (1) getting some return in accordance with what is contributed; and (2) identified connections between the sources of tax revenue and their use. While general tax revenue can, and is, used to fund tobacco control, a dedicated tax (to be spent, for example, on treatment/counselling, mass media campaigns) would:

1. Ensure continuity of funding;
2. Provide visible and tangible evidence of governmental commitment to reduction of social harm;
3. Identify clearly, for those who pay tobacco tax, their eligibility for services in return, ie support in improving their health;
4. Provide reassurance that the purpose of tobacco tax is not only revenue generation but health improvement;
5. Signal, in symbolic but important ways, recognition of the reciprocal duties and relationships inherent in any tax system between state and citizens.

The need for increased justice in the use of tobacco tax revenue is shown by the New Zealand smoker support for tobacco tax increases if the revenue is used to help smokers quit. (Waa et al., 2018; N. Wilson, Weerasekera, Edwards, & Blakely, 2009)

We consider that these ethical (and to some extent practical) arguments for a dedicated tax apply may apply to a range of issues besides tobacco and alcohol.

### **Recommendations on hypothecation**

1. Using tax revenue for dedicated purposes is justified on a case-by-case basis; and in some cases the generation of tax can only be justified ethically where it is hypothecated;
2. Justification for hypothecation includes not only ethical grounds, but also evidence of efficacy;
3. Alcohol is an example where hypothecation is justified (and tax revenue accordingly should be increased); tobacco is another clear example. Other possible examples would include gambling and marijuana (if and when legal).

### **Chapter 7: Specific challenges**

This chapter raises issues about housing affordability, capital gains tax, land taxes, opportunities for effective environmental taxation; the possibility of GST exclusions; and tax in relation to small businesses.

#### **Housing**

Two major distortions in the New Zealand economy are the lack of tax on imputed rental income of owner-occupied dwellings, and the absence of a capital gains tax (CGT) on residential property (Howden-Chapman, 2015). These distortions have led to significant over-investment in property and the bidding up of house prices, the unnecessary expansion of urban areas and adverse environmental consequences arising from this – from carbon emissions, to adverse impacts on air and water quality, to loss of habitat (Howden-Chapman, Early, & Ombler, 2017).

We recognise that it may be impractical to introduce a tax on imputed rental income, even though such a tax is not unheard of in developed economies (one did exist in the UK until the Second World War). This makes it more important to consider other mechanisms for the twin but related purposes of (1) raising revenue (given that housing is an asset) and (2) assisting with regulating the housing market.

We support an extension to New Zealand's present capital gains tax (CGT), even if this is not in a fully comprehensive form (ie assuming the family home remains exempt). Other developed countries have successfully managed the associated administration and compliance costs of a CGT. The signal a CGT's introduction would send, in terms of both efficiency and equity, and both domestically and internationally, are important.

Given the poor quality of rental housing relative to owner-occupied housing, there is a case for addressing the tax categorisation of expenditures on rental housing made to bring rental housing up to the Building Code standard. This would address the widespread reluctance of landlords to bring their property's standard up to this minimum socially acceptable standard

(Johnson, Howden-Chapman, & Eaqub, 2018). Expenditures on bringing a property up to code would be considered 'maintenance', while going beyond the code would remain categorised as 'improvements' for tax purposes. We believe this would have a major incentive effect across the rental sector, and lead to an improvement of the health and well-being outcomes of an important part of society, those in private rental housing. The change would need to be aligned with the measures identified in the Healthy Homes Guarantee Act 2017, and University of Otago's Rental Warrant of Fitness (Telfar-Barnard et al., 2017), (Bennett, Howden-Chapman, Chisholm, Keall, & Baker, 2016).

### **Recommendations:**

1. A capital gains tax should be introduced/extended which includes assets such as all investment properties, as well as other properties capable of generating capital gain;
2. The tax categorisation of expenditures on rental housing should be revised as an incentive for bringing a property up to the Building Code, or the regulatory standards under the Healthy Homes Guarantee Act 2017 (whichever standards are higher), so that the costs of bringing rental property up to the Code would be considered as 'maintenance' not 'improvement'.

### **GST exclusions**

We recognise the potential relevance of GST exclusions, or reductions, for specific products as a lever for attaining health, environmental and social goals. Given however the present state of evidence, we have no view at this stage on whether some goods (eg healthy staple foods, heating, internet access) should be excluded from GST. At some point evidence might point to advantages in having no or reduced GST on some products – for example GST rates might be linked to a nutritional labelling system. Hence while we do not think that GST exclusions would be appropriate at this time, we suggest that in principle tax amendments along these lines may be appropriate. We recommend therefore that the need for and relevance of GST exclusions be reviewed in the future.

We do however consider that there is an argument for reducing the level of GST in general, back down to 10% from the current 15%.

The loss in revenue that this would result would be compensated by increased taxes on products with externalities, eg (eg, carbon emissions) and hazardous products (eg, tobacco and sugary drinks)

### **Tax and the environment:**

Environmental requirements should be central to our taxation system, forming a central test with taxation for all goods and services throughout their life cycles: collection, production, use, and disposal with implications for all domains eg:

1. Transport;
2. Energy production/use;
3. Food water production use;
4. Agricultural /pastoral/forestry/fishing activity;
5. Housing construction/technological construction/use/disposal.

## *Carbon tax*

Climate change is a major threat to international health and New Zealand (as a rich country) is far from playing an adequate role in responding to this major threat. In particular, New Zealand's current pricing system for carbon New Zealand (an Emissions Trading Scheme [ETS]) has numerous design problems (Bertram & Simon, 2010) (Wright) (Ecofys World Bank) (Chapman, 2015). As such it urgently needs major reform – possibly by replacing it entirely with a carbon tax (an issue for the new Climate Commission to consider as well as the Tax Working Group). If such a tax was adopted, then consideration could be given to the recycling of carbon charges to the community as per the approach in British Columbia (BC) in Canada (Demerise). The revenue-neutral approach with the BC tax is one reason for the majority public support of this tax (ie, it “now funds more than a billion dollars a year in other tax cuts” (Demerise)). An alternative to the BC system would be balancing the carbon tax with a reduction in GST and personal income tax (for low-income New Zealand citizens) as detailed above. Revenue from a carbon tax could also be used for promoting lower carbon lifestyles (eg, better walkways and cycle-ways for commuting) and promoting carbon sequestration (eg, better incentives for allowing native forest regeneration).

**Recommendations: that the use of taxation for environmental protection (in conjunction with other policy measures) be endorsed;**

1. For goods and services throughout their life cycles: eg collection, production, use, disposal; in all domains eg transport; energy production/use; food water production use; agricultural /pastoral/forestry/fishing activity; and housing construction; technological construction;
2. That (ideally) a system with tax incentives and disincentives for all goods and services be adopted, based on certification of products and services against standards relevant to the environment, health and human rights, long term;
3. A specific focus on carbon tax to replace the existing emissions scheme, ideally both hypothecated and designed to be overall revenue-neutral;
4. Consideration to be given to other taxes relevant to the environment, eg fertilisers, pesticides long term.

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