

**To:** Tax Working Group  
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**Submission on:** Future of Tax

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## **Submission on: Future of Tax**

### **1. Introduction**

- 1.1 Agcarm welcomes the opportunity to comment on the Future of Tax discussion document.
- 1.2 As an industry association operating within the Agriculture sector, our main focus relates to the Environment, as outlined on pages 40-42. Much of our comment is reflective and supportive of the Federated Farmers submission.
- 1.3 Agcarm is supportive of the tax principles outlined on page 19 of the paper, namely:
  - Efficiency
  - Equity and fairness
  - Revenue integrity
  - Fiscal adequacy
  - Compliance and administration costs
  - Coherence
- 1.4 We note the paper's statement that these are the established criteria used in past reviews both domestically and overseas. Therefore, we are supportive of these principles being used as guidance by the Tax Working Group (TWG).

### **2. General Comments**

#### **Tax and the Environment**

- 2.1 Without detail it is difficult to provide an informed response on tax and the environment. However, like Federated Farmers, Agcarm believes that it is inappropriate to consider tax as 'the solution' to environmental issues. Like the environment itself, consideration of how to care for the environment is complex and has a number of layers to it. Further, a number of environmental aspects, including those discussed in the background paper are already being dealt with by other policy and regulation.
- 2.2 We question whether the Tax Working Group (TWG), which solely has a focus on tax, is the most appropriate group to be considering environment and tax issues. However, we do acknowledge the TWG's mandate.
- 2.3 Agcarm believes that if the Government wishes to further consider environmental issues it should first identify the problem or problems, and then should prioritise these. This would then allow for full consideration, in the context of the wider economic environment and existing frameworks, of the range of potential solutions. Taxation might be one, and regulation another.
- 2.4 Agcarm submits that there are also industry-led initiatives, such as Agrecovery for example, which is funded by Agcarm members. Agrecovery is leading New Zealand in the recycling of plastic containers manufactured by our members, and is a great example of where industry has taken the lead with environmental stewardship.
- 2.5 Agrecovery has increased its collection volumes of plastic from 50,000 kgs in 2007, to 370,000 kgs in 2017. All of this is voluntary, and is funded solely by industry.
- 2.6 We suggest that the use of tax to encourage better environmental behaviour may be inappropriate because it puts a price on the non-complying behaviour which some taxpayers may simply accept.

- 2.8 This is not to say that taxation might not have a role, it is just that the wider questions need to be considered before solutions (which may or may not include tax) can be prioritised and considered. In some cases, a combination of carrots and sticks may be appropriate. For example, regulation requires farmers to plant alongside fenced waterways, and the current tax rules incentivise a lot of this expenditure.
- 2.9 We note that over the last few years, agriculture has been subject to a considerable amount of regulation, a lot of it in the environmental space. For example, dairy farms are subject to strict regulations imposed at a regional level concerning dairy shed effluent and its disposal. For a number of farmers this requirement caused significant costs. However, almost all dairy farmers accepted and met their obligations because they were properly marketed and were regionally targeted.
- 2.10 The fundamental point is New Zealand already has existing regulatory frameworks and industry led initiatives for addressing sustainable management of identified environmental issues. These frameworks are iterative and constantly changing, as details around threats to the environment, or new information/practices aimed at protecting these environmental goods, emerge. These frameworks are able to adapt to, and are better targeted to, addressing issues at a local level in response to specific ecosystems and issues. A taxation approach, particularly one developed at a national level, would be nowhere near as adaptable.
- 2.11 Taxation is a blunt tool that will not address these nuanced needs. The fact these issues are emerging/still issues is not because of any great failure in legislative/regulatory frameworks, more it is the fact we are playing catch up and the understanding of often complex and interacting environmental functions has lagged.

### **3. Conclusion**

- 3.1 Agcarm is concerned about the narrow definition of “environmental tax” that the TWG is using. This is “a charge levied on a tax base that has a proven, specific, negative impact on the environment.” Tax concessions that support the environment (the carrot), such as immediate deductibility for riparian planting, are not included within this definition. Thankfully the TWG mandate in this space and some of the detail in Chapter 7 of the Paper indicates that this is not a limitation.
- 3.2 Agcarm encourages the TWG to investigate the range of industry led stewardship programmes that already exist in the agricultural sector, prior to progressing with any environmental tax proposals. The TWG may be ‘surprised’ by the number of initiatives already in place, and how these are ensuring that our environment is already being preserved for future generations.

### **4. About Agcarm**

Agcarm is the industry association for manufacturers and suppliers of crop protection and animal health products. For further information and a full list of members, see [www.agcarm.co.nz](http://www.agcarm.co.nz).

Agcarm member products protect public health, improve animal welfare and help environmental management. They:

- Play a pivotal role in growing high yield, sustainable food and fibre products;
- Help supply healthy, nutritional and affordable food;
- Keep New Zealand’s agriculture, horticulture and forestry sectors internationally competitive.

Our members are committed to safety, innovation and product stewardship.