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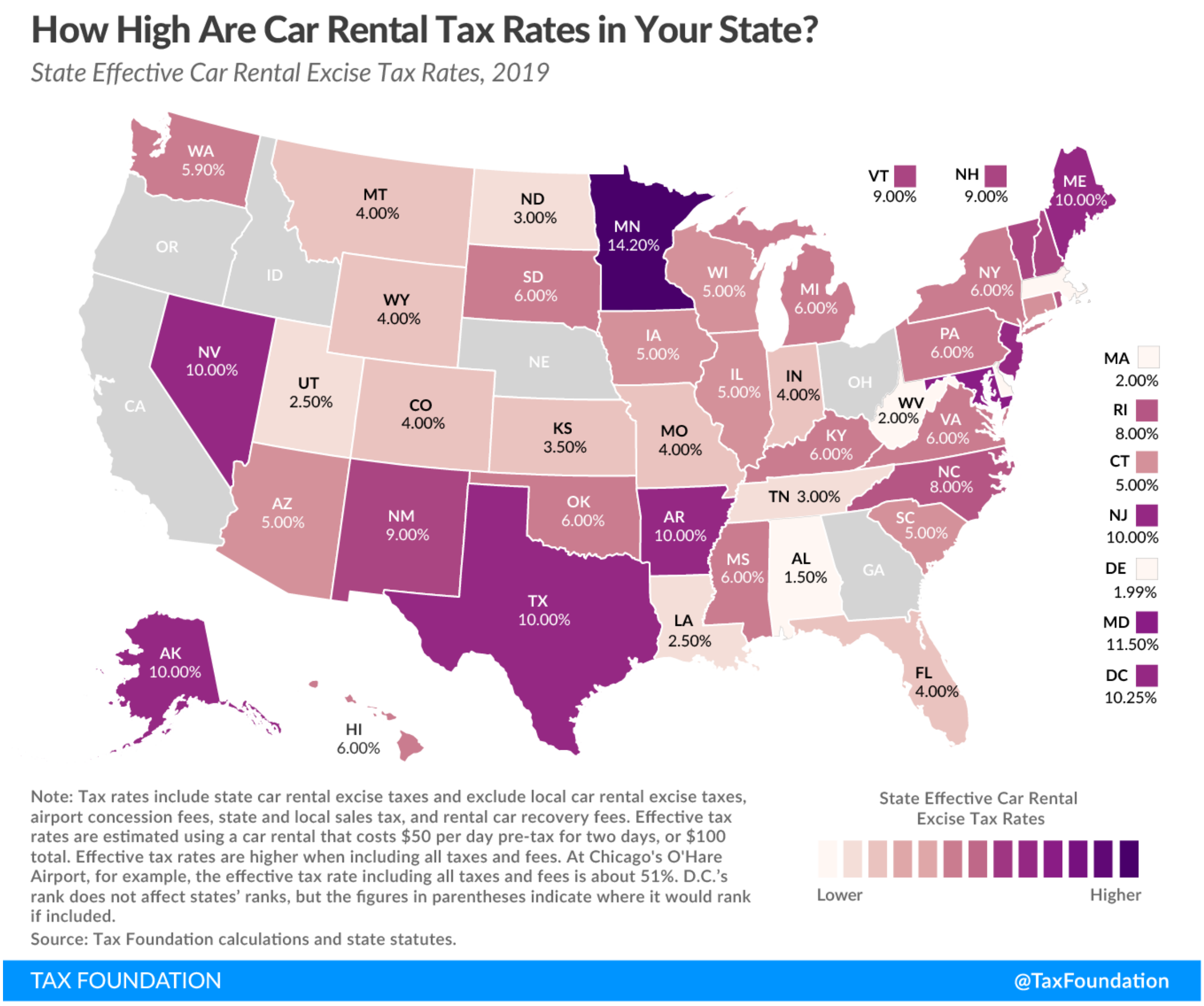
I understand that lately Local Government New Zealand has been asking central Government NZ to legislate which would enable local councils the ability to fund tourism related infrastructure through bed taxes.

I believe however that the Government should be looking at a simple rental car/campervan 10% levy for international licence holders only which would cover tourism roading infrastructure. Over the past 5 to 10 years the number of rental vehicles on New Zealand roads has exploded and this industry is now worth over 2 billion dollars. While they do bring in some revenue through fuel excise tax, the reality is that the harm they are causing via consumption for local councils that bear costs of providing for this sector.
There are no capacity constraints and to me this makes sense for government to introduce a sin/excise tax of 10%. A levy on "just international tourists" renting vehicles can easily be collected from the mere 700 NZ rental car and therefore avoid the pitfalls and argument of charging our domestic tourists in their own country. All the risks and complexities around changing taxation laws to suit local council's revenue streams could easily be avoided as the excise tax could be collected and distributed by central government via the Tourism Satellite Account stats and local council applications.

As we already know roading is the highest cost for any local council. Those individuals or businesses that especially enjoy the benefits must contribute towards the cost of roading. While commercial accommodation does benefit just like any other business or individual, they are not able to charge a guest directly for the use of the product or service. Rental car and campervan companies sell the exact product that directly uses that product. They can add on automated toll road charges at time of rental, fuel for your trip, insurance, ACC levies etc… All these charges are costs associated with using the vehicle in a public space, thus the rental company is legally obligated to collect and pay those taxes for the social license to operate using public resources. The same goes for water and sewage for residents and commercial accommodation. If we allow a bed tax to introduced, we will effectively be giving the business who is the biggest benefactor of the largest infrastructure cost (roading) a free lunch. Pan taxes on commercial accommodation can easily be adjusted yearly to meet monetary demands for investment and management of these public water and sewage services.

As the freehold owner of Wanaka Bakpaka (located in the town centre/lakefront) for 13 years I have witnessed the massive increase in vehicles rented by tourists. E.g. how can our 60-bed hostel be sustainable if we have needed to increase our car park space for 12 cars in 2006 to 30 parks in 2019? It is now at a point a car park is worth more to a traveller than a bed for the night. The Tourist levy (Sin/Excise tax) needs to be applied to rental cars as it seems more profitable for the rental car business to rent the vehicle out at zero profit and have the customer park it for free on local streets than the rental company pay to have the vehicle stored at a cost.

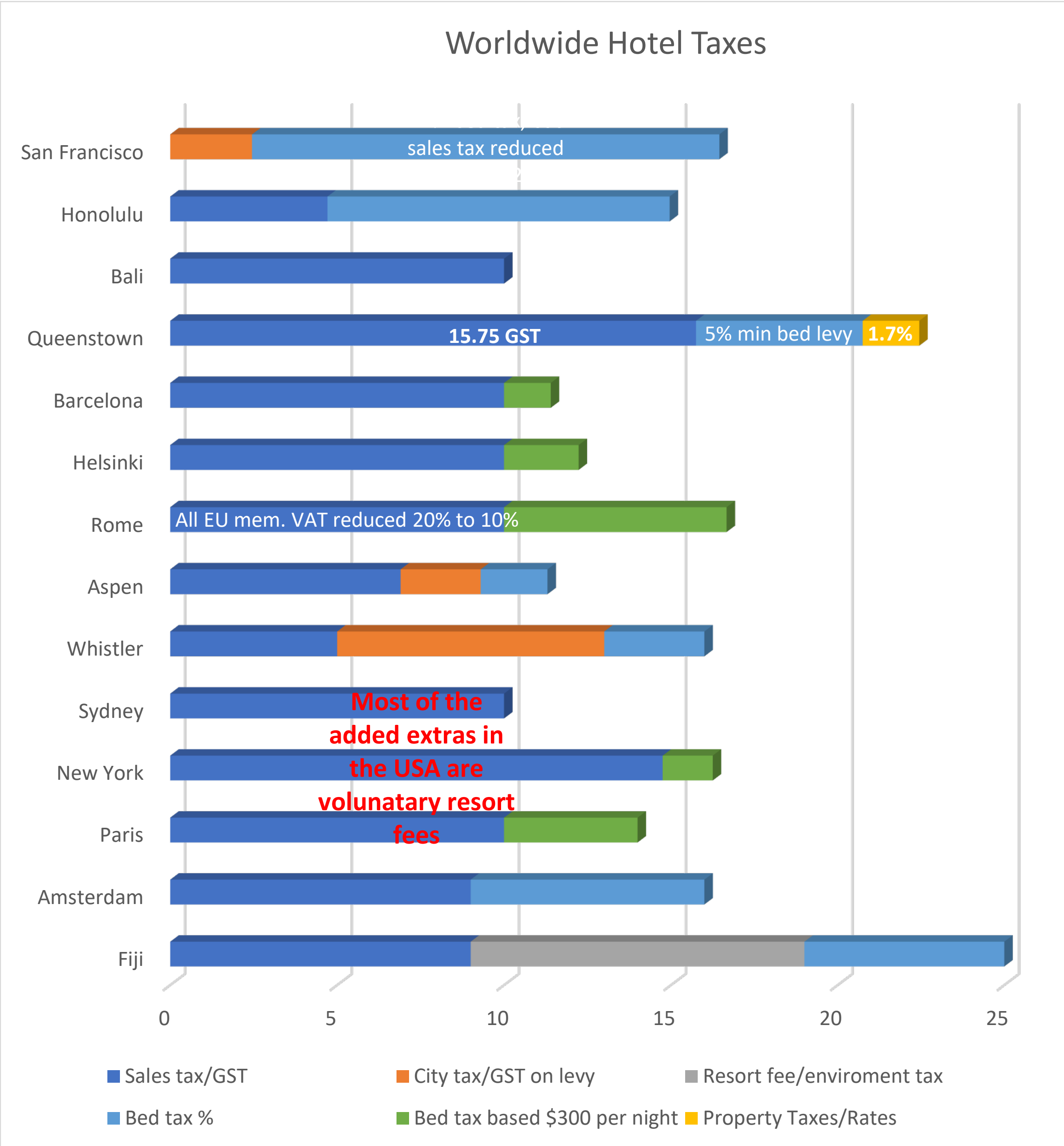


The above image indicates that most US states impose a rental car levy that is collected by the Rental Car company. This contributes to roading infrastructure, whereas state bed taxes pay for tourism advertising.

I do support LGNZ submission for help from central government to fund mixed use infrastructure, however as others have already put forward to the central government a bed tax is not an equitable solution. This will only further distort investment in commercial accommodation and continue to push tourists to stay in an unregulated short-term residential accommodation. By introducing a sin/excise tax on commercial accommodation will have an undesired effect of causing more social harm by creating more housing unaffordability through attaching a commercial profit to residential housing and thus increasing house prices in especially tourist areas.

Another thing that I have noted is the proposed bed levy/tax has been considered easy to collect but only to those who think all businesses operate under a GST invoice basis system. The reality is most commercial accommodation businesses whose turnover is under $2 million are on a GST payments basis. Without investing significant time and money into a computer system with sound point-of-sale and accounting reports it will be near impossible to administer and calculate accurately the portion of bed levies due. I can't see this as a desirable policy for the IRD?

NZ already has a relatively high sales tax/GST rate of 15%. Unlike all of Europe (and a few places in the USA) where bed taxes are seen to be common there is no option to reduce the sales tax percentage on commercial accommodation if a bed tax is introduced. As it is highly unlikely GST will be reduced to capture a bed tax independently NZ local councils should be demonstrating that will reduce property rates to near zero if they were serious about a local bed tax rather than put pressure on central government to introduce a new tax on top of other existing taxes. So, what appears to be (except for Fiji) nowhere else in the world do they charge high bed taxes without reducing vat or sales tax. All through Europe (which has a comparable sales tax rate to NZ) hotels reduce VAT from 20% to 10% if a bed tax is applied. Even after vat is reduced from to 20% to 10% and bed taxes are added, the total added taxes still don't get above 20%.
The customer pays all the added taxes and levies so care needs to taken in keeping NZ competitive with the rest of the world. Nowhere in the World, except Fiji can I find a guest at a hotel paying a sales tax of more than 20.75% (15% GST + 5% levy + 0.75 GST).
The proposed 5% Levy would place New Zealand second from the top.



As Benjamin Franklin said, there are only two things for certain in life; taxes and death. However, I cannot find any lawbook that states you must pay another businesses tax.

You can only compare the Excise tax on Sin items like wine (3.9%), beer (5.4%), and cigarettes etc to reduce consumption and public harm.

I pay my share of personal income taxes, staff PAYE, ACC, and GST payable plus I also pay commercial differentiated property rates. It is my legal obligation to pay taxes, but it is not my legal obligation to pay the taxes for other tourism businesses.
I get up in the morning and go to work, to check out guests, manage the cleaners, tidy guest rooms, pay bills and check in new guests. I do not go to work to pay other businesses taxes. At no time during the day do I sit down, write up and submit taxes on behalf of other businesses to the IRD or QLDC out of my time and pocket. No effort has been made to compensate my time and costs to submit this proposed tax/levy on behalf of other businesses except for a small mention through the media that our rates differentials maybe reduced. It appears though that QLDC is looking to also reduce the differentials on the CBD properties in Wanaka and Queenstown "to avoid double dipping or taxing". So not collecting a levy but benefiting will also get their property rates reduced?

So where to?

Either A. **Equitable and low risk**

1. Central Government change legislation to make All NZ Rental Car Companies charge a 10% levy for international visitors (holding an overseas driver's licence).
2. Allow councils to use funds collected from "Pan taxes" in their local rates bills to pay for infrastructure investments relating to tourism population spikes.

Commercial accommodation guests do use toilets and water, I believe we should be charged appropriately as this adds value to our product. Pan taxes are already identified and charged for in our differential rates. This money can easily be reinvested in the water and sewage infrastructure needed during peak times of the year when we have a large number of tourists. However, councils seem reluctant to even look at increasing the pan tax charges to cover this one-off infrastructure cost as they "could only spend the money here and not where they would want to spend it"

Or B. **Unequitable and high risk/complicated**

I support LGNZ submission in enabling legalisation to impose either a reasonable internationally realistic bed levy rate below 3% based on the conditions as follows:

1. it is done in a transparent and consultative process with effected parties (being either corporate businesses or individual sole traders who are being asked to pay it),
2. if commercial accommodation is the main direct benefactor of the infrastructure charges for the use of that infrastructure, they must pay proportionally
3. The levy can only be reviewed every 15 to 20 years by central government.
4. If a levy is introduced Commercial accommodation differential property rates must be removed, but this benefit cannot be passed onto other commercial properties (e.g. CBD) not contributing towards a levy.

I believe we already have the answer and the current law supports it.

1. Make councils relook at their pan tax rates to absorb peak demand when tourism numbers spike. This aligns with keeping New Zealand's clean, green image.
2. Introduce a 10% levy on car rentals for non-New Zealand residents and reinvest the proceeds on tourism routes around NZ which are not part of the state highway network. This levy would align with the International Visitor Levy already in place.

The Productivity Commission and LGNZ proposed submission on introducing an accommodation levy fails to collect directly from those that benefit the most from local council investment in roading. Rental car/campervan companies are the biggest benefactor of this investment and face no capacity constraints. In no way as accommodation owner am I able to charge a customer a cost for something they do not directly benefit at my business. I can charge for water, sewage and tourism advertising/events but I am not the biggest benefactor of roading

I am legally obligated to pay my taxes due and so is every other business. There is minor social harm created by my accommodation business and therefore is not my duty to pay some other business excise/sin tax. No effort has been made to compensate my time and costs associated to collect someone else's sin/excise tax and thus I believe you should be looking into my alternative solution to collect directly a 10% Excise tax on international license holders renting cars/campervans. The remaining funds can come from pan taxes directly.