

We at The Backpacker Group (that represent 40 New Zealand owned and operated hostels) would like to support an alternative solution **a 10% Excise tax on international license holders renting cars/campervans.** Local Government New Zealand has been asking central Government NZ for a funding mechanism for tourism related infrastructure and we believe this alternative solution is valid and needs careful consideration

The LGNZ submission to identify bed taxes to fund tourism infrastructure tool is incorrect. Bed taxes were introduced post world war two in New York to fund advertising for their city. As advertising was expensive undertaking it was done in a collaborative way so thus a funding mechanism was created. Bed tax funds are still used to collectively advertise and also to pay for free/discounted tourism activities like UNESCO features, fountains, churches, historic bridges, museums etc. Bed taxes do not fund infrastructure as a mere 1 to 3% does on just 15% of tourism spend (the accommodation sectors share of the tourism dollar) does not generate near enough revenue to fund large infrastructure projects. City taxes (on all tourism related spending) are the only example of a tourist tax that will generate enough money to fund tourism infrastructure as it captures the other 85% of tourism spend.

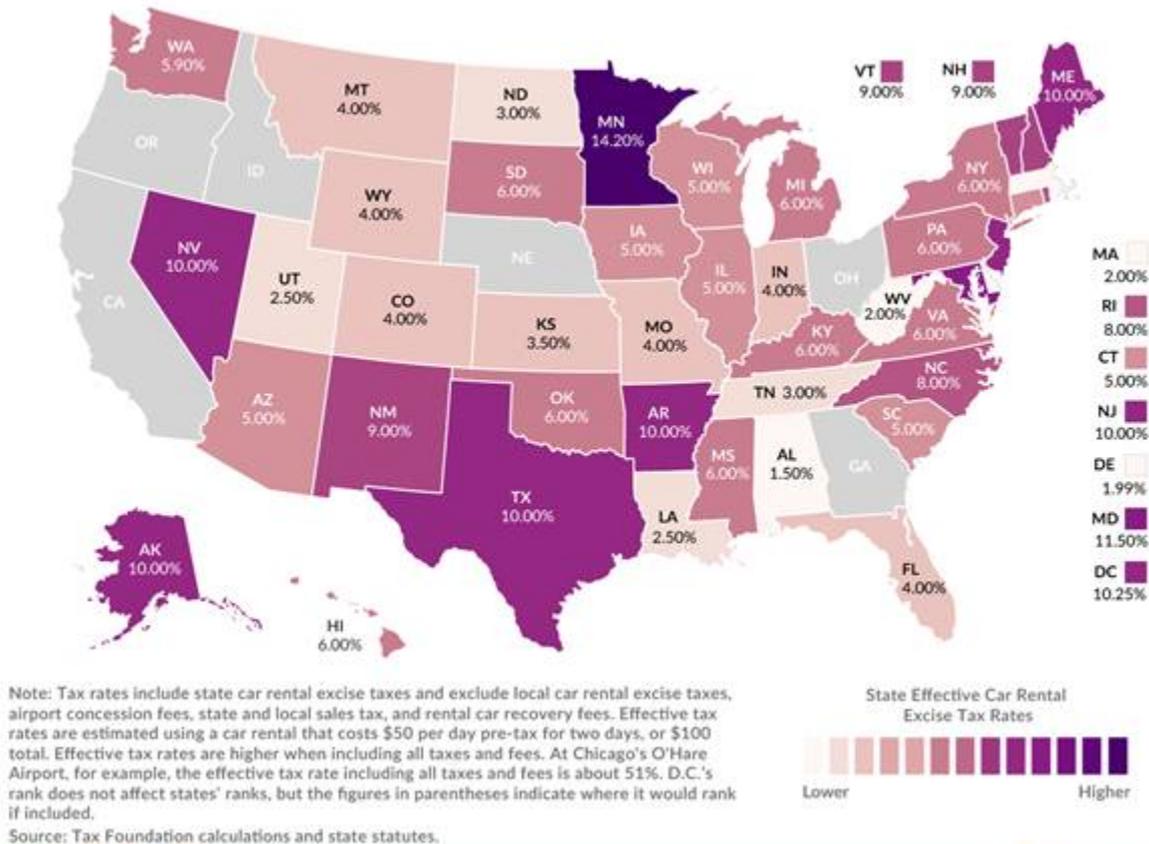
The simple rental car/campervan 10% levy for international licence holders only proposal only would cover tourism roading infrastructure. Over the past 5 to 10 years the number of rental vehicles on New Zealand roads has exploded and this industry is now worth over 2 billion dollars. While they do bring 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.

## How High Are Car Rental Tax Rates in Your State?

State Effective Car Rental Excise Tax Rates, 2019



TAX FOUNDATION

@TaxFoundation

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.

The number of registrations of new rental cars/campervans from 2012 to 2017 grew by over 100% compared to the total number of tourists that grew by around 50%.

The percentage of rental vehicles rented by international tourists is 80%

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. A bed tax being discussed by Local NZ Governments seems to be talked about at the 5% level. This brings it into line with Sin items that capture Excise tax: wine (3.9%), beer (5.4%), and cigarettes etc to reduce consumption and public harm.

Our hostels owners pay their share of personal income taxes, staff PAYE, ACC, and GST payable plus they also pay commercial differentiated property rates. It is their legal obligation to pay taxes, but it is not their legal obligation to pay the taxes for other tourism businesses.

**What we believe to be a solution to funding tourism infrastructure funding**

It is **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, we should be charged appropriately as this adds value to our product. Pan taxes are already identified and charged for in 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.

We believe the proposal has already been made to levy international licence holders renting vehicles. These levies are already being charged at some NZ airports etc, but NZers are also unfairly captured by these airport levies

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 and the number of individual Backpackers renting vehicles has grown over the past 5 years more than the number backpacker establishments opening. In no way is a New Zealand accommodation owner able to charge a customer a cost for something they do not directly benefit at their business. They can charge for water, sewage and tourism advertising/events but I am not the biggest benefactor of roading

We are all legally obligated to pay my taxes due and so is every other business. The level of social harm created by the diminishing number of international backpackers traveling in NZ has dropped in the past 2 years before this sin tax may have been imposed. We believe you should be looking at the 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.