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## **1. Introduction**

The Cancer Society welcomes the opportunity to provide a submission to the Tax Working Group on the taxation review. Cancer Society supports a fair tax system that positively impacts on the wellbeing of all New Zealanders.

The Cancer Society of New Zealand is a non-profit organisation which aims to minimise the incidence and impact of cancer on all those living in New Zealand. We work across the cancer continuum with key work areas that include health promotion, supportive care, provision of information and resources, and funding of research.

Cancer is the single biggest cause of death in New Zealand(1)

Cancer Society New Zealand makes both over-arching and specific recommendations regarding taxes on tobacco, alcohol and sugary drinks. These products are associated with or cause cancer.

### **Recommendation:**

The Cancer Society recommends the use (or increase) of excise tax on known carcinogens, such as tobacco and alcohol to reduce the consumption of carcinogens, and products which are shown to contribute to an increased risk of cancer, such as obesity.

This will reduce the incidence of cancer and positively improve population health.

## **2. Summary:**

Reducing the incidence of cancer in New Zealand is a key mission of the Cancer Society.

As noted on P26 of the Background Paper (BP) some tax systems aim to incentivise certain types of behaviour. Identified as either *taxes based on externalities (social costs), or an activity that has individual harms or benefits that the individual may not be able or willing to act in their best interests*. As noted in the BP currently in New Zealand tobacco and alcohol excise tax are examples of these, with recent calls for additional tax on sugary drinks being made.

The Cancer Society is very supportive of a tax system that uses this approach, as it clearly works.

The *Lancet* concludes that *Taxes* are: “*an underused instrument for the prevention of premature death and disease because they can discourage consumption of products like tobacco, alcohol, and sugary drinks*” (2).

There is clear evidence that additional taxes on harmful products positively incentivises people to make healthier choices, reducing consumption and uptake of these products,

Taxing unhealthy products is supported internationally, and has been effective in New Zealand e.g. reducing smoking rates and reducing alcohol related harm. It can also be applied to unhealthy food and drinks to reduce rates of obesity.

### **3. The burden of cancer on New Zealand is significant and growing**

Most New Zealanders will have some experience of cancer, either personally or through a relative or friend(3). According to the most recent statistics from the Ministry of Health, there were 23,149 new cases of cancer in 2015(4) as well as 9615 deaths due to cancer(1). In comparison with other causes of death, cancer deaths represent almost one third of all deaths (approximately 30 %). This makes cancer the biggest killer in New Zealand(1).

The cancer burden is not shared equally. In 2015, according to the Ministry of Health, Māori had a cancer registration rate of 420.2 per 100,000 Māori population, which was significantly higher than the rate for non-Māori (322.2 per 100,000 non-Māori population).

Māori had a cancer mortality rate of 200.7 per 100,000 Māori population in comparison to the rate of 115.3 per 100,000 non-Māori population(4).

As the population ages and more people are diagnosed with cancer earlier there is increasing demand on services to support that population. According to the International Agency for Research on Cancer projections, New Zealand is expected to register approximately 34,000 new cancer cases and over 15,000 cancer related deaths in 2035(5).

### **4. Use of some consumable products is a significant cancer risk:**

There are products which are also considered carcinogenic in and of themselves, e.g. Tobacco and alcohol. There are also products that contribute to health concerns, such as obesity, which are a risk factor for cancer e.g. foods and drinks high in salt, fats and sugars(6)

### **5. Taxing harmful products works**

There is clear evidence that additional taxes on harmful products positively incentivises people to make healthier choices. This approach is supported internationally, and has been effective in New Zealand with regard to reducing smoking rates. It is also applicable to the health issues concerning alcohol consumption and obesity prevention.

Due to the maturity of the tobacco control area the approaches undertaken have been well researched, evaluated and provide lessons for other areas of health concern.

The World Health Organisation identifies *Price and tax measures to reduce the demand for tobacco* as a core provision in the Framework Convention on Tobacco Control(7).

In New Zealand a high excise tax on tobacco increases, as part of a comprehensive suite of tobacco control measures, has seen an overall reduction in adult smoking rates from 25% in 1996/97 to 16% in 2016, though Maori and Pacific rates are still much higher(8).

## **6. Cancer risk**

Tobacco, obesity and alcohol are leading risk factors for cancer that can be reduced by additional tax on associated products.

### ***Tobacco***

Smoking is the leading cause of preventable death in New Zealand. Every year 5000 people die prematurely in New Zealand from smoking related illness(9).

Lung cancer is the leading cause of cancer death in NZ, with the most recent report showing 1805 deaths recorded in 2015 (1)

As well as being the leading cause of lung cancer, smoking also increases the risk of at least 14 other cancers including cancers of the mouth, pharynx (upper throat), nose and sinuses, larynx (voice box), oesophagus (gullet or food pipe), liver, pancreas, stomach, kidney, bowel, ovary, bladder, cervix, and some types of leukaemia (10).

Every year more than 5000 New Zealand children start smoking, on average at 14 years(11).

### ***Obesity***

Obesity is the single biggest preventable cause of cancer after tobacco and is a significant and growing problem in New Zealand(3).

Overweight or obesity are major risk factors for 11 cancers, as well as many other chronic diseases such as cardiovascular disease and type 2 diabetes (12). There is convincing evidence that greater body weight causes cancers of the oesophagus, pancreas, bowel, endometrium, stomach, gallbladder, liver, kidney, ovarian, prostate and breast (in post-menopausal women) (12).

New Zealand has the third highest rate of adult obesity and the fourth highest rate of childhood obesity in OECD countries (13).

### ***Alcohol***

Alcohol has been classified as a Group 1 carcinogen by the World Health Organisation's International Agency for Research on Cancer since 1988 (14).

Drinking alcohol increases the risk of cancers of the mouth, pharynx (upper throat), larynx (voice box), oesophagus (food pipe), bowel, breast (in women) and liver (15)

Alcohol consumption has been estimated as being responsible for 4.2% of all cancer deaths under 80 years of age in New Zealand (16).

## **7. Reducing cancer saves money**

Reducing the incidence of cancer will help reduce future pressure on the government's health and overall budgets. With an aging population the health system will be continue to be under funding pressures, and as noted earlier New Zealand is expected to register approximately 34,000 new cancer cases and over 15,000 cancer related deaths in 2035. Reducing the burden of cancer on the overall health system, through the proven use of taxation on of tobacco, alcohol, and cancer related makes fiscal sense.

## **8. Conclusion:**

Reducing the incidence of cancer in New Zealand is a key mission of the Cancer Society.

There is clear evidence that additional taxes on harmful products positively incentivises people to make healthier choices. This approach is supported internationally, and has been effective in New Zealand with regard to reducing smoking rates. It is also applicable to the health issues concerning alcohol consumption and obesity prevention.

## **Acknowledgments:**

This submission draws upon other submissions. In particular we have liaised with the *University of Otago Wellington School of Medicine Department of Public Health*, and *ASPIRE 2025* group.

We are aware that our submission will be released on the Tax Working Groups' website, with our email withheld, and have noted the Official Information Act and privacy considerations that apply.

It is noted that the Tax Working Group is looking at the overall framework for the New Zealand Tax System, and not the level or otherwise of specific taxes. However included as an appendix are recommendations for specific additional taxes for the TWG's consideration or to recommend to further reviews or groups as appropriate.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'Mike Kernaghan', written in a cursive style.

Mike Kernaghan

Chief Executive

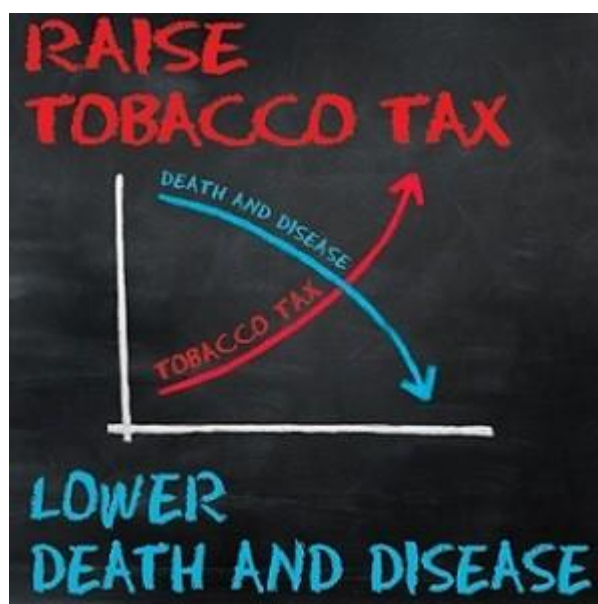
Recommendations for specific additional tax to reduce cancer incidence:

*Tobacco:*

- a. *Government mandated tobacco prices:* Tobacco tax system should include fixed retail prices and maximum prices before tax, providing an option to increase revenue without increasing the average tobacco price.
- b. *Dedicated tax:* Until 2025, the dedication of at least \$100m of tobacco tax revenue annually creating an environment which 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. *Loose tobacco:* Ensuring that tobacco tax rates per weight of loose tobacco (roll your own - RYO) and factory made cigarettes do not encourage switching between products.

**Tobacco tax**

Tobacco tax increases are the most effective way of reducing smoking prevalence, initiation, consumption and inequalities in smoking (17). Continued tax increases are important if we are to achieve Government's goal of Smokefree 2025 of under 5% of adults smoking. Tobacco taxes can be justified as a tool to reduce consumption and to address negative externalities of tobacco.



During New Zealand's recent period of annual tax increases, smoking prevalence has further declined along with tobacco sales. Tobacco tax rises have saved and will continue to save thousands of lives in Aotearoa. Tax increases help people to quit and remain smokefree. Crucially, tobacco taxes are very effective in helping prevent young people

from experimenting with smoking, becoming addicted, and enduring a lifetime of addiction.

The ASH year 10 survey shows that in 2016 only 2.2 % of year 10 student smoke daily, compared to 15.2% in 1999 (18).

During 2001-2010, tobacco tax only increased in line with inflation. However, since 2010, there have been annual 10 % increases in tobacco tax, in addition to inflation adjustments. These larger increases have contributed to a 23% reduction in tobacco consumption per person (for the period 2010 to 2014) at about double the rate of that during 2000-2010 (19).

For Māori, there have been encouraging results. Daily smoking among Māori fell by only 1.5% from 2006/7 to 2011/12 (from 39.2% to 37.7%), but fell by 5.2 per cent between 2011/12 and 2016/17 (from 37.7% to 32.5%)(20).

### **Reducing inequalities**

There has been some concern expressed about the financial harm to smokers who don't respond to tobacco tax increases (21). However, if taxation is combined with other comprehensive measures that promote quitting (i.e. mass media campaigns, enhanced support of Quitline, restrictions in nicotine content etc.), then this is likely to avoid increasing adverse effects on smokers who do not give up (21).

### **Minimum tobacco price**

A minimum tobacco price would help ensure tax increases are even more effective. Currently tobacco companies reduce the effect of tobacco tax increases on smokers by a number of manipulative tactics, including phasing in price increases in stages and loading extra tax onto higher price brands to enable lower priced tobacco to remain at low prices (17, 22, 23).

### **Dedicate tax revenue for prevention and quit services**

Cancer Society strongly supports revenue from tobacco taxes being dedicated for tobacco prevention and supporting people to quit. Ethically, the only justification for taxing tobacco is for health gain, not general revenue. New Zealanders, including smokers, are far more supportive of tobacco tax increases when they know that tax revenue will be used for tobacco control or supporting people to quit.

### **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 raised from being based on 10% alcohol strength to 14%.
- d. Alcohol taxes be implemented along with a Minimum Unit Pricing Policy to address the availability of very cheap alcohol.
- e. The existing level of tax hypothecation should be increased.

### **Costs of alcohol-related harm**

The estimated cost of alcohol-related harm to NZ society was \$5.3 billion in 2005/6 (24). Alcohol use is a major contributor to health costs, lost productivity for businesses and to financial costs to society with crime, police and court time and incarceration. Cancer Society also recognises the harm alcohol has on other people including violent crime and road traffic deaths and injuries. All these problems help justify higher alcohol taxes. People who don't drink alcohol (20% of New Zealanders) and low risk drinkers are unfairly burdened with these costs. Cancer Society believe that the rates of alcohol excise tax should reflect the cost of alcohol- related harm to society.

### **Hazardous drinking**

Hazardous drinking increases the risk of adverse health and social outcomes for the drinker as well as others. The 2011/12 New Zealand Health Survey estimated that 530,000 New Zealanders aged 15 years and over (15 percent of the adult population) are hazardous drinkers (25).

There continues to be significant inequities in alcohol-related harm between Māori and non-Māori.

Reducing harmful alcohol consumption is an important and under- emphasised strategy that can help to reduce cancer risk and other health and social costs. Raising the tax on alcohol will provide an incentive to reduce consumption and reduce the growing number of hazardous drinkers.

Today, alcohol is more affordable than it has ever been. Increasing the tax on alcohol has been widely recommended by health experts and through the comprehensive Law Commission Report (26)

### **Tax alcohol content**

There is an opportunity to align the level of tax to the alcohol content of beverages rather than the type of drink (e.g. for wine). This would be fairer as currently some beverages are taxed by volume and others by alcohol content. It is the alcohol that causes the harm, not the type of beverage.

### **Reducing Inequities**

Alcohol tax could particularly help prevent hazardous drinkers in low socio economic communities in New Zealand. This is because "Adult drinkers in the most deprived areas were 1.7 times more likely to be hazardous drinkers than adults in the least deprived areas, after adjusting for age, sex, and ethnic differences" (27). Low income heavy drinkers are shown to benefit the most when prices of alcohol are increased.

### **Minimum Unit Pricing**

Cancer Society also recommends a Minimum Unit Pricing Policy to prevent the availability of very cheap alcohol. This policy is fair as it targets heavy drinkers and significantly reduces inequities in alcohol-related harms between income groups.

### **Dedicate tax revenue**

Currently a very small proportion of alcohol tax goes to the Health Promotion Agency for alcohol-related health promotion. Cancer Society strongly supports increasing the tax revenue earmarked for prevention, including public health/ prevention work DHBs and NGOs are undertaking.

### ***Sugar sweetened beverages***

- a. A tax on these beverages should be put in place along with other measures to decrease availability and consumption.

### **Sugary Drinks Tax**

The Government needs to urgently act to prevent the growing obesity epidemic in New Zealand. The Minister of Health is interested in considering a broad tax on sugar in food and drink. The Tax Working Group can introduce a tax on sugary drinks as the first key step to reducing obesity in New Zealand. This would align with the World Health Organisation's recommendation to tax sugary drinks (28). Revenue generated by a sugary drinks tax could be earmarked for obesity prevention initiatives particularly in low income communities.

### **Why tax sugary drinks?**

It is well established that excess sugar is a major contributor to weight gain, obesity, diabetes and tooth decay. Sugary drinks are the main source of sugar for children and young people. Recent research found there is more sugar in New Zealand drinks compared to Australia, Canada and the UK (29).

A sugary drinks tax should be the first food/drink tax in New Zealand as it:

- has the strongest evidence base
- is focused on protecting children ( from dental decay, obesity and diabetes in adolescence and cancers in later life)
- is a product with no nutritional value and empty calories

The levy can be targeted at the beverage industry thereby promoting reformulation of the sugar content of drinks.

WHO and the World Cancer Research Fund, along with The New Zealand Medical Association, the NZ Dental Association and many other national organisations recommend taxing sugary drinks.

### **More countries are taxing sugary drinks**

A number of countries and American cities have introduced a tax on sugary drinks to address obesity and diabetes epidemics. Studies from Mexico, Hungary, Berkley, California and Philadelphia, USA, all documented significant declines in sugary drinks consumption following introduction of sugary drinks tax. Low income communities, where obesity and diabetes have the highest prevalence, saw the largest declines in sugary drinks consumed (30).

The UK recently introduced a "soft drink industry levy". A number of UK beverage manufacturers reformulated their beverages with a lower sugar content ahead of the sugar tax being implemented on 1 April 2018. One study reported a 10% reduction in sugar content of energy drinks in the UK.

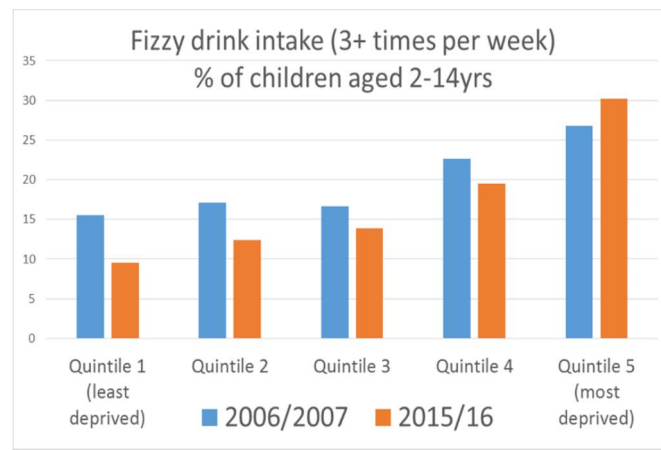


## Public support sugary drinks tax

The majority of the New Zealand public support a tax on sugary drinks with a strong increase in support since February 2014 (31). Public support would be strengthened further if revenue generated from a sugary drinks tax was used to support community wellbeing initiatives e.g. sports facilities in schools, fruit in schools, healthy school lunches, school dental services.

## Reducing inequalities

Young people, especially Māori and Pacific youth, consume the highest amounts of sugary drinks in New Zealand. The WHO recognises that young people and low income consumers get the greatest health benefit from taxes as they are the most influenced by price (32). A tax on sugary drinks provides an evidenced based approach to reduce health inequalities.



Source: Ministry of Health

Some are concerned about a sugary drinks tax disproportionately impacting on low income communities. However high sugary drink intake, and its negative health consequences, disproportionately impacts on low income communities. Sugary drinks deliver empty calories with little or no nutrition. Evidence from countries that have introduced a sugary drinks tax found a higher decrease in consumption of sugary drinks in low socioeconomic communities.

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