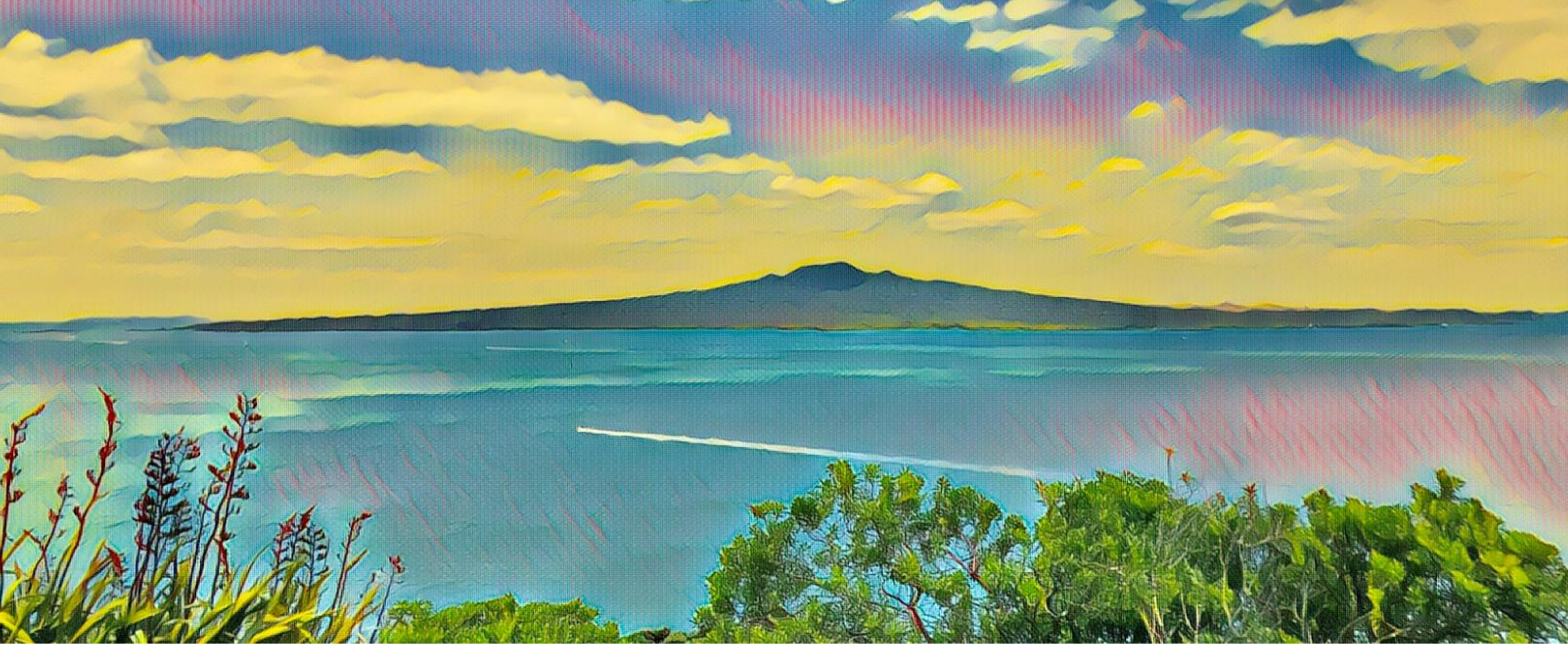

Blue skies for Auckland tourism industry? Court of Appeal rules against "bed tax"

11 November 2021

Hotel Council Aotearoa (HCA) welcomes the Court of Appeal's ruling **(C P Group v Auckland Council [2021] NZCA 587)** confirming that Auckland Council's imposition of the Accommodation Provider Targeted Rate (APTR) was invalid.

Mayor Goff and Auckland Council should now move quickly to implement the Court's decision and give accommodation providers some much-needed certainty about the future. Now is not the time to throw good ratepayer money after bad on further unnecessary litigation.

HCA was not party to the litigation, however the subject matter deeply affects HCA's members and all New Zealand overnight accommodation providers. The decision has implications for other business sectors as well, since it addresses what should be taken into account when local authorities seek to impose new targeted rates on industry subsectors. The decision is likely to also be relevant in relation to efforts by other local authorities – such as Queensland & Lakes District – to introduce bed taxes with central government support.

The Court's ruling is consistent with HCA's own **submission to Auckland Council in March 2021** calling for the APTR to be permanently removed.

The issue of tourism infrastructure funding is complex and nuanced. HCA has sympathy for Auckland Council's funding constraints, even though the APTR was clearly a poor response.

Since its formation in 2020, HCA has consistently and repeatedly called on local authorities such as Auckland Council and Queenstown Lakes District Council, and on central government, to work collaboratively with HCA and other key tourism stakeholders on agreeing principles for a fair, reasonable and nationally-endorsed funding model for the tourism economy.

Any new funding regime must draw upon international best-practice and robust research. Tourism is an internationally competitive undertaking. The fundamental tourism funding problem has not changed in the four years since the APTR was introduced.

Prior to COVID, the tourism industry generated almost $3.9 billion annually in GST revenue plus an estimated $3.1 billion in additional tourism-related taxes such as PAYE, profits tax and excise taxes.

Before the onset of COVID, international tourism accounted for more than 20% of all New Zealand exports, and unlike most other export sectors, central government collects GST on spending by international tourists.

Central Government's tax take from tourism is not fully reinvested in the sector, nor is it adequately shared with local authorities to support investment in essential infrastructure. As a result, New Zealanders get frustrated with overcrowding and local authorities have turned to novel fundraising techniques, such as the APTR, to fill the funding gap.

International and domestic tourists already "pay their way" in New Zealand and the 15% GST is imposed on international tourists without exceptions or rebates. Fifteen percent is substantially higher than the total sales taxes plus bed taxes paid in almost all comparable destinations worldwide. Australia imposes GST of only 10% and does not have a bed tax.

For so long as international tourists do not get a vote, cash-strapped central government and local authority politicians will be tempted to introduce new rates, taxes and charges designed to selectively target tourists and tourism businesses.

Until the fundamental tourism funding problem is solved, it would be wrong for local authorities or central government to impose any new or increased taxes or charges on the stricken tourism and hospitality sector or its most valuable customers.

With borders still closed as part of our country's strong health response to the COVID pandemic, there are essentially no international tourists in New Zealand at the moment and it is the wrong time to increase the cost of visiting New Zealand without improving the underlying experience.

Tourism and hospitality businesses have made significant sacrifices since borders closed in March 2020. Tourism industry organisations – including HCA – remain ready and willing to engage with Government on real and lasting solutions to the national tourism funding problem. New solutions should be implemented on reasonable timelines.

It is hoped that future consultations with industry are genuine and conducted in good faith. The last thing New Zealand's tourism industry needs now is further tick-box consultation exercises after "in principle" decisions have already been taken by regulators.

True collaboration will mean it is unnecessary in future for commercial ratepayers to engage with local authorities in time-consuming, wasteful and expensive litigation.

HCA
HOTEL COUNCIL AOTEAROA

James Doolan
Strategic Director
james@hotelcouncilaotearoa.com
021 0851 0685