



Benefits of carbon tax

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The difficulty that she describes of tracking carbon emissions through the supply chain is yet another reason why it was always a mistake to opt in 2008 for emissions trading rather than a simple carbon tax modelled on GST.

GST automatically tracks, and taxes, added-value at each stage of the supply chain. So each stage's contribution is automatically recorded. A carbon tax could work exactly the same way, slicing through the lack of transparency that Gibson identifies.

Also in common with GST, a carbon tax can incorporate border adjustments to ensure that New Zealand business operates on a level playing field with overseas competitors. And making it a tax-and-dividend arrangement would have progressive redistributive effects in favour of lower-income households.

Letters

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Geoff Bertram, Karori

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