Tax Working Group
Te Awheawhe Tāke

WHAT TAX ISSUES MATTER TO YOU MOST?

We will face a range of specific challenges over the coming years and our tax system can play a role in helping us meet them.

CAPITAL GAINS TAX

People often make money by buying and selling things that increase in value. Sometimes that money is taxed, sometimes it isn't.

THINGS WHERE THE CAPITAL GAIN IS TAXED:

- Some investments, such as gold
- Shares if bought and sold regularly
- 2YR — Property sold within two years, or by a developer or dealer

THINGS WHERE THE CAPITAL GAIN ISN'T TAXED:

- Some shares
- Rental properties held for the long-term
- The family home (which isn't included in this review)
- Some vintage cars, fine wines, art, and anything else that might go up in value over time.

A Capital Gains Tax would mean some people pay tax on what they own, just as others pay tax on their wages or businesses income

For example:

SHOULD THEY PAY TAX:

- SOLD — When they sell the asset?
- Or every year as it increases in value?
- Or when they give it away?
- Or go overseas?

WHAT IF THAT VINTAGE CAR, FINE WINE OR ART GOES DOWN IN VALUE?

- Should the Government give them a tax refund?
- What if it's something really volatile like a crypto currency?

LAND TAX

A land tax is when you pay some tax every year based on the value of the land you own. This is similar to local government rates (although this review does not include a tax on the family home).

BUT IT ALSO HAS ITS PROBLEMS.

If the tax doesn't cover all land, then it makes investing in land that isn't being taxed more attractive. That might not be desirable.

People who hold a lot of their wealth in land will be taxed more than those who have wealth in other things, like gold or shares. These might not be the people we want to tax more.

Land ownership isn't always simple. Where land is owned collectively, who would own the land for tax purposes? Just because someone has land doesn't mean they have the cash to pay more tax each year.

PROGRESSIVE COMPANY TAX

Some countries have a lower tax rate for small companies compared to large. These countries include Australia, although they're about to change it back so the tax rates are the same.

It would be nice to help small companies to grow. NZ has a lot of them, and we tend to like them.

But if they're doing something right and growing to be big, should they be 'penalised' with a higher tax rate?

And some big companies don't make much profit, while some small companies make a lot of profit. Should they pay a lower tax rate anyway?

TAX AND THE ENVIRONMENT

Through tax you can make some things more expensive. Like polluting the environment.

Economists agree that if an activity is causing a cost to society, it should be taxed. So taxing polluters arguably makes good sense.

But sometimes it's hard to work out what the cost of pollution is. What is the cost to society if one particular river is no good for swimming? What if it's in an area where no one lives? Or in a popular tourist area?

At the same time, we can make some activities that are good for the environment relatively cheaper, like planting trees and driving electric cars. But who determines what is 'good' and how much cheaper it should be?

SHOULD GST BE ON EVERYTHING?

Lots of countries don't have GST on items that are deemed to be healthy or necessary, like fresh fruit & vegetables or sanitary items.

THAT SOUNDS GOOD. BUT IT GETS COMPLICATED

Should apples have GST? Pineapple? Grapes? Avocado? Does it depend on the sugar and fat content of the fruit or vegetable?

In the UK, the Court of Appeal overturned a High Court decision that Pringles were not crisps. Crisps are taxed in the UK, other food generally is not.

And how do we choose? Should we pay GST on tomato sauce? What about tomato soup? Tomato soup with chunks of beef? Low sugar tomato soup with celery?

Find out more at: **taxworkinggroup.govt.nz**