Tax Working Group Public Submissions Information Release

Release Document

September 2018

taxworkingroup.govt.nz/key-documents

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;

[2] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Michael + Janice Martin
[1]

Rcvd 27/3/18

21st March 2018

Taxation Working Group Secretariat
PO Box 3724
Wellington 6140

Submission

Background involved being a Registered Valuer for 20 years and in partnership owning rental investment property. Currently our holdings are minimal.

Regarding measures of taxing residential real estate we believe the following factors should be of utmost consideration.

A large percentage of rental units are owned by small investors – one or two units. They provide an essential service not provided by other sections of the community. Any regulation which significantly effects the return they receive could effect the market balance – reducing supply- and impacting directly on rentals.

The return to investors from rentals in the residential market is mainly in the range of 2½% to 3½% on the capital employed.

Clearly many if not most residential rental property are held as a "hedge against inflation" over the ownership period. Any erosion of that benefit is likely to effect supply.

Deletion of negative gearing would result in the opportunity for investors with multiple interests to move funds so that they would not be affected. The affect would rest on the smaller investor.

A Capital Gains tax if introduced should take account of any movement in inflation over the period – without this protection there would be little incentive to invest in residential property.

Introduction of a Land Tax will directly affect the return to investors and is likely to have the effect of reducing supply of rental units and increasing rentals.

In summary we believe that while some form of capital tax is justified it should not be at the expense of reducing supply of rental units or increasing rentals.

Investment in this sector should be encouraged as it removes some responsibility from local and central government and is often the means by which investors can provide for their retirement.

There is benefit all round if the situation is handled correctly.

Janice Martin

[1]

Michael Martin

[1]