

## **Tax Working Group Public Submissions Information Release**

### **Release Document**

**September 2018**

**[taxworkinggroup.govt.nz/key-documents](http://taxworkinggroup.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.

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

David & Vikki Bacon  
[1]

7 April 18

Tax Working Group Secretariat  
PO Box 3724  
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## **Tax Working Group Submission - Residential Property Investment Tax Issues**

To Whom It Concerns,

### **Background**

My wife and I own a small residential property investment company and work full time. Our residential portfolio consists of four investment properties and we have been operating as landlords for twenty years. The purpose of our portfolio is to generate an asset base which will make us self-sufficient in retirement and to allow us to assist our children in purchasing their own homes in the future.

I spend on average 10-15 hours per week managing and maintaining our portfolio and consider ourselves to be professional landlords who care about the well being of our tenants. We provide excellent quality housing to our tenants some of which have been with us for over 15 years.

### **Ring Fencing of Tax Loses**

The government has signalled its intention to ring fence tax losses which will have a significant impact on small investors like ourselves. Operating costs associated with owning and running our portfolio are currently offset by our ability to attribute company losses to our own income. This tax rebate is channelled back into the company which allows our business to 'break even'. Consequently, our investments are affordable and can be managed within our current income levels. Our time and effort in managing the portfolio is unpaid. We see the long-term benefit of our hard work lying in the capital gains achieved through good management and regular maintenance.

Should ring-fencing laws come into force we will be unable to continue with residential property investment. The service we provide to our tenants would therefore need to transfer to another landlord or be picked up by the government. Many tenants are provided housing by landlords such as ourselves, consequently these changes could see many providers electing to

exit the residential property market requiring government intervention to compensate for those tenancy providers who exit this sector of housing supply.

### **Bright-line tests**

We agree with the changes to the Bright-line test recently brought into law by the government. This will assist with ensuring property speculators or 'flippers' do not avoid paying their fair share of tax. Small companies that buy and hold property and provide a service to tenants without taking a salary or other financial reward, will be fairly rewarded by capital gains and current tax laws.

Thank you for considering our submission.

Regards

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David and Victoria Bacon

Directors

Coogee Investments Ltd

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