

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

### **Release Document**

**September 2018**

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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.



41 There stark reality is that there was no gain at all - only a change in  
42 numbers on Rating Valuation Notices, over the years.

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44 In removing the deprecation allowance on buildings, former Minister of  
45 Finance Bill English averred: ". . . it made no sense to allow  
46 depreciation on buildings which appreciate in value."

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48 Buildings do not appreciate in value. They increase in cost because the  
49 price - the number of dollars required to buy them - increases, mainly  
50 because of inflation. The price in the number of dollars needed to  
51 replace the same building would also increase, for the same reason.

52

53 Those circumstances occur because the purchasing power of the dollars  
54 involved has been eroded by time and inflation.

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56 Value is not the same as cost or price. It is sobering that the Minister of  
57 Finance of New Zealand did not know the difference. Or chose to be  
58 deceptive or willfully ignorant.

59

60 In the example of selling my home, there would be no capital gain at all.  
61 I.e. there would be no 'hidden' income in its sale price. However, if any  
62 government implements a CGT and the sale was subject to it, I would be  
63 liable for the cost of a tax paid in contemporary-value dollars on that  
64 illusory gain. A non-gain that, in reality, is only bigger prices and  
65 numbers representing the counterfeit coins of inflation.

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67 In principle, that scenario would apply to any capital item that is subject  
68 to increases in purchasing or replacement costs, due mainly to inflation.

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70 The few small-scale (mum-and-dad) property investors I've spoken to  
71 often mention that inflation is a cardinal factor in their decision to invest  
72 in a residential rental property. I.e. they buy rental properties as a hedge  
73 against inflation, not as a way on earning un-taxed income.

74

75 If a CGT is selectively proposed on rental properties by the TWG,  
76 recommend that be it inflation indexed, (**using the Housing Price  
77 Index, rather than the Consumer Price Index**), to remove the  
78 incentive for governments to foster inflation as a way to increase  
79 taxation revenue, by stealth.