

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

### **Release Document**

**September 2018**

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



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Tena koutou

### **GST of Developments for Rental Housing on Maori-owned land**

As the Chairman of Wellington Tenth's Trust (the Trust), and on behalf of its 6,548 Te Atiawa/Taranaki Whanui beneficial owners we wish to make the following submission to the Tax Working Group. Wellington Tenth's Trust, is an iwi authority for Te Atiawa/Taranaki whanui in Te Upoko o te Ika/Wellington and is an Ahu Whenua Trust administering Maori Reserved Land and other lands in Wellington under Te Ture Whenua Maori. The Trust administers some 81 hectares of land being a mix of urban land in Wellington along with some rural land in Upper Hutt.

The Trust has an amount of urban land in Wellington used largely for housing. Some is now in a large retirement village (Village at the Park Joint Venture), student accommodation at 217 Taranaki Street and a variety of residential houses. The Trust also has commercial buildings which are not included this submission.

The Trust is in the process of renewing its older housing stock from houses that date from the 1900s. At present the Trust is in the process of developing land in Berhampore of some 3749 m<sup>2</sup> (one of the original 1 acre town sections from 1840s) with 16 townhouses with 2 & 3 bedrooms. This land is known as Corpus land of the Trust. The Trust's policy is to hold its corpus land long term so this development will be held by the Trust as rental housing. The build cost for the development will amount to some \$9,075,000 exclusive of GST with an additional \$1,361,250 GST liability. The Trust as the developer has no ability to pass through the GST and is ultimately liable for it. The land value is in excess of \$2.0 M, however the land is owned by the Trust on behalf of the beneficial owners. The Trust has further land and houses in a similar condition that it also intends to develop which at present would be liable for GST.

The Trust will not be alone in this matter as many Maori land-owning organisations will also be doing rental housing developments holding the assets long term. The business case for this development does not provide a high yield – likely around 2% taking in account the cost of borrowing for the

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development. The Trust received no Treaty of Waitangi Settlement monies for the settlement on the Wellington Tenth's claim.

The submission we are making is that for Maori Authorities to incentivise housing, consideration should be given for the remission of GST on this type of rental housing development. That would be provided the land and buildings remain as long term assets of the Maori Authority. If for any reason the Maori Authority were to sell any or all of the houses then it would become liable for the GST component of the build and development costs.

If we compare matters with the Maori Authority tax regime, we note that policy was predicated on Maori Authorities beneficiaries are some of the lowest in the socio-economic strata of society in New Zealand often on welfare benefits or on low wages. That is the case for our beneficial owners. We note that our owners benefit from a relatively modest dividend each year provided the Trust is profitable. This is often a small help for needy families.

The Trust believes this proposed GST exemption could go a long way to making, difficult to fund housing projects, get over the line as a business case.

I note we are not tax experts and the detail of such a mechanism is for those with that expertise. What we present here is the matter in principle as a group that has struggled hard to give our beneficial owners some reasonable long term returns on land that was retained from the purchase of Wellington by the New Zealand Company in 1839.

No reira, heoi ano,

[1]

Morris Te Whiti Love

Chairman

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