

# WHY SHOULD WE TAX MORE CAPITAL GAINS?

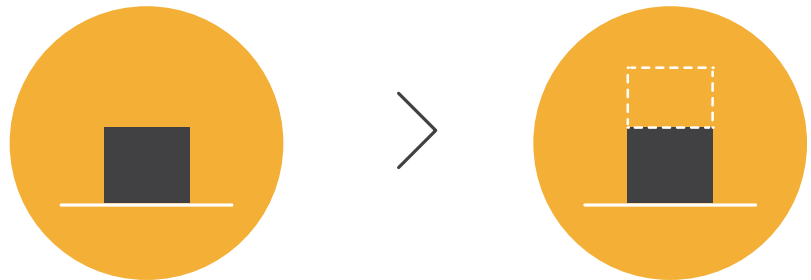
Some New Zealanders are taxed on all they earn and others aren't. Most of the Tax Working Group says this is a flaw in the fairness of our tax system and has recommended it be fixed.

READ MORE IN THE FINAL REPORT AT  
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[taxworkinggroup.govt.nz](http://taxworkinggroup.govt.nz)

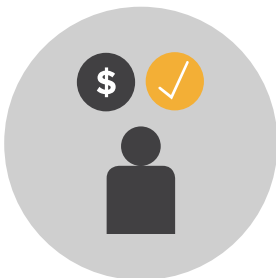
## WHERE'S THE GAP IN OUR TAX SYSTEM?

We don't tax all the income people make from owning assets in New Zealand - this includes capital gains.

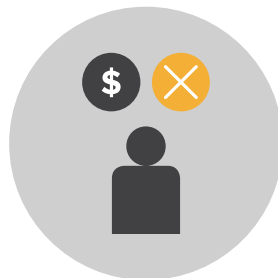
A capital gain is made when you sell something that has increased in value, like shares or investment properties.



## THE FAIRNESS QUESTION:



Meet Tim. He pays tax on every dollar he earns in his day job.



His neighbour Carol is a property investor, but the current rules mean she doesn't have to pay tax on all her income and gains.



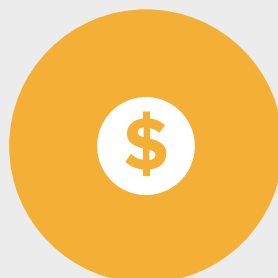
Carol has this advantage because many of the gains people earn from selling assets like shares and investment properties are not taxed in New Zealand.

## THE TAX WORKING GROUP AGREES THIS ISN'T FAIR BUT THERE ARE CHALLENGES

### HERE'S WHAT THE GROUP WEIGHED UP: WHY TAX MORE CAPITAL GAINS?



Our tax system would be fairer.



Tax free capital gains are mostly enjoyed by our wealthiest households. Taxing them would help reduce the gap between rich and poor.



Investors are likely to be attracted to more productive assets rather than those that offer more tax benefits.

## HERE'S WHAT THE GROUP WEIGHED UP: WHY TAX MORE CAPITAL GAINS?



It closes loopholes some people use to avoid paying tax.



The Government won't need to be so reliant on revenue from wages and salaries since taxing more capital gains will broaden the tax base.



It allows the Government to cut taxes elsewhere or fund new services thanks to the new revenue stream.

## WHAT ARE THE CHALLENGES?



There will be costs for individuals, businesses and the Government to keep track of capital gains and for Inland Revenue to enforce it.



Investors may take fewer risks and invest less if there's more tax to pay, although the Group has proposed some changes to help with this.



People might hold on to their assets longer to delay paying tax.



The amount of tax collected each year will go up and down with the price of assets, making it harder for the Government to budget.



The Tax Working Group has carefully considered the advantages and disadvantages. A clear majority determined the arguments in favour of taxing most types of capital gains, such as fairness, outweigh the challenges.

Read more about what the Group is proposing in the Final Report at [taxworkinggroup.govt.nz](http://taxworkinggroup.govt.nz)