

## **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.

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- [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.

1 2	Submission to the Tax Working Group	
3	secretariat@taxworkinggroup.govt.nz	
5	Submitter:	
6	Perry Spiller	
7	[1]	
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9		
10	30 April 2018	
11	0 0 1 <b>-</b> P111 <b>-</b> 0 1 0	
12	My primary concern with the potential deliberations of the Tax Working	
13 14	Group is the idea of a capital gains tax [CGT]. Please appreciate that such a tax is unlikely to have any financial impact on me because I have	
15	no assets likely to be ensuared by such a tax, so my stance is not from	
16	someone having a vested interest.	
17	someone having a vesu	ed interest.
18	Amonost my concerns	is the widespread use - or misuse by ignorance,
19	accident or design - of certain words.	
20	decident of design of	Certain Words.
21	A second significant concern is that a CGT gives governments an	
22	incentive to foster inflation.	
23		
24	When considering the adverse impact of a CGT, for illustrative purposes	
<ul><li>25</li><li>26</li></ul>	in the scenario below, I have used figures I know, relating to my home. <sup>1</sup>	
27	In the context of a CGT	Γ, the words I refer to are:
28		
29	* Gain[s]	* Value
30	* Cost	* Inflation
31	* Purchasing power.	* Price
32		
33	On the face of it, the property I live on has achieved a capital gain of	
34	seven times its original purchase price, since 1978. If I sold this property	
35	for that sevenfold increase in price, and I had truly made a gain in so	
36	doing, I should be able to buy seven similar properties with that gain.	
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38	That would be impossible. All other similar properties have changed in	
39	price parity by more or less the same factor. So where is the gain?	
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<sup>1</sup> For the purposes of this submission, I have ignored the proposed exemption for personal dwellings.

There stark reality is that there was no gain at all - only a change in 41 numbers on Rating Valuation Notices, over the years. 42 43 44 In removing the deprecation allowance on buildings, former Minister of Finance Bill English averred: "... it made no sense to allow 45 depreciation on buildings which appreciate in value." 46 47 Buildings do not appreciate in value. They increase in cost because the 48 price - the number of dollars required to buy them - increases, mainly 49 because of inflation. The price in the number of dollars needed to 50 replace the same building would also increase, for the same reason. 51 52 Those circumstances occur because the purchasing power of the dollars 53 involved has been eroded by time and inflation. 54 55 Value is not the same as cost or price. It is sobering that the Minister of 56 Finance of New Zealand did not know the difference. Or chose to be 57 deceptive or willfully ignorant. 58 59 In the example of selling my home, there would be no capital gain at all. 60 I.e. there would be no 'hidden' income in its sale price. However, if any 61 government implements a CGT and the sale was subject to it, I would be 62 liable for the cost of a tax paid in contemporary-value dollars on that 63 illusory gain. A non-gain that, in reality, is only bigger prices and 64 numbers representing the counterfeit coins of inflation. 65 66 In principle, that scenario would apply to any capital item that is subject 67 to increases in purchasing or replacement costs, due mainly to inflation. 68 69 The few small-scale (mum-and-dad) property investors I've spoken to 70 often mention that inflation is a cardinal factor in their decision to invest 71 in a residential rental property. I.e. they buy rental properties as a hedge 72

against inflation, not as a way on earning un-taxed income.

If a CGT is selectively proposed on rental properties by the TWG,

recommend that be it inflation indexed, (using the Housing Price

Index, rather than the Consumer Price Index), to remove the

incentive for governments to foster inflation as a way to increase

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taxation revenue, by stealth.