

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

### **Release Document**

**September 2018**

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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.

[1]

29<sup>th</sup> April 2018

## **Submission to Taxation Working Group.**

Dear Sirs,

Thank you for allowing the opportunity to add my comments and ideas to the dialogue around taxation reforms. I apologise for leaving this until the last possible moment!

I have read through your briefing documents and official statistics with great interest. I have been a student of Economics since my High School and University days in the 1970s. At one point I studied under Sir Frank Holmes, who was later attached to Sir Robert Muldoon's economic 'Think Tank'. As a result I have looked at NZ through an Economist's eyes ever since that time.

Politically I am a left-leaning person, who believes in 'More Government' involvement because with Laissez-Faire management no-one protects the weak and vulnerable in Society. I remember vividly from 1988 & 1989 that David Lange was already pointing out that it was already clear that no 'trickle down' benefits were ever going to be felt in his constituency of Mangere. In fact there have been widespread undesirable outcomes, although these seem to have taken years to be recognised. I have four grown-up children, all born here in Auckland. The oldest one got married two months ago, and bought a residential property in Wellington with his partner last year. My chief incentive for writing this brief submission is that I desire that my other children should one day be able to afford to do the same thing, and then they should be free to elect to raise a family if that is their wish (I fervently hope so...).

We have lived under 'Rogernomics' in a free-market economy for more than 30 years now. Whilst the overall thrust of its economic reforms has been a healthy thing for the country, it must be apparent that a LOT of New Zealanders have fallen by the wayside due to no 'trickle-down effect' ever materialising for their benefit. As I see it comfortably more than 60% of the population are worse off now. I also share the general concern for how the working population can possibly shoulder the costs of an aging workforce in 20 to 30 years' time.

I am extremely grateful and appreciative for this Government's change of economic emphasis. At last we have a coherent and strong voice for the people, and you have a mandate to correct some of the unwanted results of a lack of humanism in Governance.

I note your comment in your guidelines for submissions (page 12, paragraph 6) that- "Over time it is likely that a focus on capital income taxation will be increasingly important in ensuring that the tax system is as fair and efficient as possible".

I was also very impressed with the clarity of your section on "Concern about Inequality" on page 17.

These are the two points that I am aiming to cover in my submission.

## The need for Capital Gains Taxation.

I agree that our present taxation regime through Individual Income Tax, Company Income Tax, and GST really is an admirably clean and simple one. However there are a lot of investors from both New Zealand and overseas who are avoiding tax liability for income they derive here. My best friend from my High School days has retired to Australia after a successful career in Commercial property investment. He moves in circles of a lot of other Kiwis in Sydney, who have retained residential investment properties here in NZ. He related to me 4 years ago their collective surprise at being taxed on Capital Gains made on NZ properties, by the **Australian Government**. When they have queried this they are apparently told (in his words):-

- “The NZ Government may be stupid enough to neglect to levy you taxation against your NZ Real Estate speculation, but we are not. You have derived substantial income from your Property investments, and you will pay some tax (15%) here on that income earned”.

Since this type of speculation is now very strongly established and obvious for all to see, it does need to be addressed in your taxation reforms.

Back in 2006 I went along to a property investment seminar run by an organisation called ‘Richmastery’. I only went along just to see how they presented it to potential investors. I wasn’t disappointed. Three points are particularly vivid in my memory:-

- “Let us show you how to become obscenely rich, faster than you ever dreamed possible!”
- “This isn’t Tax Evasion, this is legal Tax Avoidance.”
- “Anyone who isn’t doing this is either stupid or lazy.”

The next day I took it upon myself to write to the then Labour Government a detailed letter on the subject. The thrust of my suggestions to Government was that NZers are far too wed to the concept of Property Speculation, at the expense of more productive long-term investments in the NZ Economy. (Let’s face it, Real Estate speculation is unproductive, in the overall scheme of things – why is it so often defended?). I have no actual objection to people buying and selling property for a living, but if it is deliberately done as a staple form of personal income then it MUST be taxed. I need to know that such investors are paying a share of tax, like the rest of us do through PAYE.

In writing to the Government I pleaded for consideration of some form of Capital Gains Tax. The response I got in the mail was highly dismissive. I have it here somewhere. As I recall it I was told:-

- “Mr Campin, this issue is far more complex than you make it sound”.
- “Furthermore there is no evidence that a Capital Gains Tax works”.

I contemplated replying with a one-line letter asking “Do you mean that Governments do not actually derive any taxation income from Capital Gains Taxes?”, however I decided this was a pointless exercise (I am sorry to say that my conclusion – rightly or wrongly – was that my letter clearly hadn’t reached anyone with both intelligence and a neutral political ideology...).

In my opinion our tax system is highly favourable to residential property speculation. It seems that every Accountant and every Lawyer makes it their first investment recommendation to new clients. At one point I went to rent a home in Auckland’s Green Bay and I found myself about to sign a rental agreement with the head of the IRD here in Auckland. I recognised the distinctive spelling of his name from letters and statements I had received from the IRD here in Auckland.

### **Stopping overseas property speculators activity in NZ.**

Successive Governments seem to fail to grasp the fact that they have been elected by NZ Citizens and Residents, as the voters in NZ. And as I frequently need to remind people in my age group, we are all care-taking NZ for the benefit of our children, and their children. We owe nothing to overseas speculators who dabble in our market and push up the value of NZ property so that it becomes unaffordable for Kiwi families, and thus ruins Kiwis lives.

I note that we still have no way of actually knowing how much NZ residential property is now owned overseas. As a matter of fact the actual number of houses involved is not the critical thing. What is critical is that until the recent regulatory changes **there were overseas buyers present over the phone at virtually every property auction in Auckland. Therefore in virtually every case they pushed the prices realised up.**

I don't believe that there is any reasonable argument for allowing unchecked foreign ownership of NZ property. As I said above, I'd like to think that all four of my children will one day have a realistic chance of buying their own home in NZ.

### **Flow-on effects of rampant house-price inflation.**

I lost a nephew to suicide in 2016, and in our subsequent grief we have worked out with his partner that his major distress was caused by the seemingly insurmountable debt he had shouldered just three weeks earlier in signing up for a substantial mortgage on his first home.

In my opinion, the unhealthy preoccupation with property investment (and the resultant sky-rocketing house prices) is driving up crime rates as well as youth suicides, and lowering birth rates, and leading to depression and other health concerns. It even leads to poor educational outcomes due parents being too busy or too stressed to take time to guide and assist their children in the basics. When you have to find \$650 to \$700 every week just to pay your rent, how can you possibly give your kids a pleasant and relaxed home life?

### **Taxation and other reforms are urgently needed.**

We need:-

- **Capital Gains Taxation** on all speculative property investment. I am very anxious over how hesitant this Labour Government is over the issue. We are relying on you to make this happen. Please remember that if it doesn't apply to the Family Home, then it only affects people with two or more residential properties. I believe that this is less than one-third of the NZ population. (You can afford to dismiss their cries of outrage, as the majority of them are going to be National or Act voters!).
- In fairness to the rest of the working population, I believe that for taxation reasons the Government need to have complete **visibility into Property Trusts**, so that the IRD knows who owns residential properties, and how many they own.
- We also need to permanently and absolutely **stop overseas investors from speculating in our real estate market**. This should include residential, commercial, industrial and farm land. We know for instance that there are 1.5 billion people in China who would love to own a little bit of NZ. We need you to protect us from this onslaught, please.
- We all know that the **retirement age has to be pushed out**, progressively, first to 66 and then to 67. I'll be 61 in June, and I am ready and prepared to work until I turn 68.

Please don't shy away from this common-sense inevitability, through lack of courage.....?

On a further note whenever the subject of a Capital Gains Tax crops up in the media, the Government needs to be able to remind everyone that it is not going to be taxed at 33% or even the 28% rate. I'm guessing that it will only be 15 or 20 per cent? If an investor sells one of his / her properties at \$350,000 profit after 5 years ownership, why shouldn't he / she pay some tax on that income? As wage and salary earners we pay tax at the full rate on every dollar we earn.....

I note the point you have made in your guidelines (page 6, paragraph 2) that "the 10% of households with the highest incomes pay around 35% of all income tax". This sounds very honourable and fair, on the face of it. **Can you tell us what actual percentage of total NZ household incomes they derive? If the figure is 50%, then they aren't actually paying their share.....?**

When you have stated (Page 6, paragraph 4):- "the information we do have indicates that wealth is distributed much less equally than income". I have to ask: - Are we somehow factoring in wealth held in property trusts, or is that an 'unknown'?

That's all I have time to write, unfortunately. It's 5:06am on the 30<sup>th</sup> of April. My contact details are below. I am happy to be contacted if that should be required for any reason. I wish you good success with your Tax reforms inquiry, and I sincerely hope that you get a very wide and therefore representative cross-section of opinions.

Thank you & best regards,  
Steve Campin.

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