

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

### **Release Document**

**February 2019**

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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.

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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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**From:** Manuka Farm Ltd [1]  
**Sent:** Sunday, 30 September 2018 1:13 PM  
**To:** TWG Secretariat  
**Subject:** Submission: Your discussions on the possible use of taxing equity on residential rental properties.

If I understand your discussions correctly it appears to me that an annual tax on the equity of residential rental properties could be very negative for both tenants and for owners of such properties.

1. Sir Michael Cullen gave an example when interviewed by Radio NZ on the 20<sup>th</sup> of September where he stated that if the equity in a rental property was \$500,000 and say a tax rate on equity was set at 3% then the owner of that rental property would pay \$15,000 in equity tax in that year let alone in subsequent years.
2. Let me give you a real example of a rental property that I manage. The family renting the property pay \$360 per week for the 3 bedroom house. This is \$18,720 per annum. After such an equity tax that would leave an insufficient margin for the owner to manage on especially since there have been a lot of maintenance expenses in the last 12 months which would not be deductible under such a tax. The rates and insurance and maintenance have currently exceeded the rental income of \$18,720.
3. Even if there were minimal expenses on such a dwelling \$3,720 would be totally inadequate to manage on.
4. Sir Michael also mentioned that if a lot of owners were to sell their rental properties then the price could decline in the marketplace. Well, I have looked at all the residential rentals that I manage and I do not have any rental levels that exceed the guidelines issued by Tenancy Services and in fact quite a number are somewhat less because the tenants cannot afford more than they are paying and I have come to the conclusion that if such an equity tax were introduced then I would probably have to sell all these dwellings and I am sure that only one tenant family, out of all of them, might be in a position to purchase their own dwelling even if the prices went down considerably.
5. Nearly all of the tenants depend on WINZ or live from week to week without much spare income. What would happen to all these tenants if they were put out on the street were I forced to sell the dwellings?
6. I now think it would be much better to have a capital gains tax than any suggestion of an equity tax and then there would be no need for people to be pressured into having to quit rental properties that would have to be sold.
7. Evidently, such a proposal would also apply to commercial and industrial properties if it were introduced.

Anthony Opie  
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