Tax Working Group Public Submissions Information Release

Release Document

February 2019

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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.

From:	Margaret Bei [1]
Sent:	Saturday, 13 October 2018 1:46 PM
To:	TWG Submissions
Subject:	A 26 Year Old Individual's Take on the Interim Report

Hi Tax Working Group Team,

My name is Margaret, and I am 26 years old. I'd like to speak personally about my experience as an individual investor in direct shares.

I was surprised when I read your interim report and the points made around a capital gains tax that excludes PIE funds, as I was sure you would have seen, as I have, that **never before has there been so much enthusiasm and support for direct share investment amongst young people**.
I have been studying investments and researching and understanding NZ companies since I was 14, but in the past five years alone, the number of my peers who have become interested in shares has multiplied exponentially.

You are no doubt aware of the fact that historically, NZ has had a problem with a lack of interest in investment via the domestic sharemarket. Our capital markets have always held less public interest than investment property. However, the rampant housing market over the past few years has led to a generation of young individuals who have not been scarred by the crash of '87 and are open and willing to seek alternatives.
This is a gift.

Property investment (in existing homes) is not a productive use of capital. It does not help our GDP, it does not increase productivity in our economy, unlike the businesses we could be investing in.
Instead, property investment dries up supply in the residential housing market, making it harder and harder for young people to own their first homes.
I know many friends who are active in the stockmarket as a way to reach their first property, and along the way gaining skills and knowledge that will benefit them and their children far into the future.
This is also a gift.

I genuinely believe that we are on the cusp of a generation of kiwis who are more financially literate than ever before.
And the more of us who are given an opportunity to learn and practice investment in the stockmarket, the better.
As a group, we *want* to support kiwi businesses who are trying to make a change in the world. And who will go on to employ thousands upon thousands in their local communities.
The rise of ethical investing demonstrates that we do care about the common good, and can change the actions of big corporates like no other time in history.
Let us help and encourage small companies to list, and expand into new markets. Let us build a thriving capital market driven by those of us who live and work here, who want nothing more than to see NZ success here and abroad.

The implication of a capital gains tax is huge for us. **We are just gaining momentum on this path, and a capital gains tax will stop us in our tracks**.
It will simply **become too onerous for an individual investor** to do their own research, learn about the markets and make a decision (accumulating valuable, life-altering knowledge along the way).
All we will become is sheep. Marketed to/at by PIE funds. Choose this fund, choose that fund. The tax benefit will be worth us throwing our hands in the air and just picking a fund.
It would be grossly unfair to tax the individual, but not the sophisticated corporate.

Who will benefit? What will happen?
- Not the individual, who is no longer incentivised to learn about different NZ companies & financial literacy

- Not the listed company, who would have had a greater diversity of investor, but must pander to huge, slow, behemoth funds instead.
- More funds will be introduced. More managers who get a cut of an ever-growing pie, coming directly out of the small investor's pocket.
- Less transparency. Greater bureaucracy. More fees. Less financial literacy. More advertising. Less interest. Less trust….
- And who knows? Maybe a flight back to property investment?

I completely agree that a capital gains tax on property makes sense, and I will gladly pay it. It does not benefit the economy and does not grow our productivity or wealth as a nation (except in dollar terms).
But the investing environment now for a young, individual investor has never been better. Our future as a generation of educated investors is so bright, but far from certain and still fragile in its early stages.
I fear the changes you have highlighted in your interim report will put this in jeopardy.

To summarize:
1. Huge interest in stockmarket investment among young people – fantastic for the economy and our future as a nation.
2. Investment in companies is better than investment in property – provides employment, productivity gain, technological advances, improvement in standard of living & GDP per capita.
3. The future of NZ could be a generation of educated, interested individuals and transparent, knowledgeable capital markets, but this is at risk.
4. We should encourage active thinking & investment, not just picking a fund!
5. Absolutely go ahead and tax property investment.

Please consider us small individual investors when you make your final decision. We don't have massive coffers hidden away, we just want to learn as much as we can, support the businesses we love and choose our own path.

Best regards,
Margaret Bei