

Tax Working Group Public Submissions Information Release

Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [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.

From: Donald Martina [1]
Sent: Sunday, 28 October 2018 11:49 PM
To: TWG Submissions
Subject: Unfair tax proposals

Dear Sirs,

I think that the proposal to tax properties other than the primary residence, in particular with a 'deemed' taxation is particularly unfair, wrong, and simply will not curb the speculative real estate that has driven house prices to excessive levels over the last decades.

Such a tax will continue to reward those who buy and flick their family home in a continuous cycle of purchase and sales, and instead the tax would be a significant burden on people who own more than one property for other reasons than a simple property speculation.

In the mid 1980's as a student at the University of Auckland my friends and I not only wondered how we could ever afford to purchase a home in Auckland but also saw the problems finding alternative accomodation as rentals were sold by speculative owners or property "developers" rushing to make their fortunes.

After graduation from university I left Auckland ultimately settling in Taranaki. My wife and I purchased a small rural property that was affordable and close to work. As we repaid the mortgage we realised that in the future the property was likely to be insufficient to provide a significant retirement fund. To partially address this potential future short-fall we purchased a small near-by run-off property running both properties as a single rural unit. The purchase was in many ways a strict savings scheme increasing potential future funds. The government did receive in the process significant taxes in the form of GST, duties, and continues to receive the GST on any purchases, rates, fire levies, etc.

Eight years ago we purchased a small home in Ohakune that we use year round, and in particular in winter as our son enjoys skiing on Mount Ruapehu. Our Ohakune home is less valuable than many the cars and mobile homes that come to Ohakune. Indeed the government valuation has declined significantly over the period we have owned it. We do not rent the property as when we purchased the home it was in a holiday home rental scheme and we quickly realised that the costs associated with scheme far outweighed any potential income. Again the government gets its cut in taxes for any purchases, repairs, rates, and insurances on the small property, and we directly support the local economy all year round. Several of our Ohakune neighbours have sold their primary homes and retired to Ohakune living permanently in what was their secondary home; a move not even considered when their secondary home was purchased. A 'deemed' tax will destroy this option of a secondary home and the option for those residents who work elsewhere in summer returning to Ruapehu District each winter.

I hope that in mentioning our situation you many realise that having a secondary home or property is not by default a luxury, or speculative thing, but simply part of saving and planning for life, or even finding a solution to make a living and contributing to society. I do not think you should be taxing people into obliteration for attempting to secure their future well being.

I think that you should consider taxing significant capital gain on the family home using a decreasing sliding scale for the duration the home has been owned. A ten year window for the potential taxation is inline with the time people are expected to keep financial records, and a reasonable time people should keep records of significant expenses related to their property. This I expect would cool the speculative circle of selling and buying the "family" home not only by property owners but also builders in a similar circle of build and occupy until the home can be sold without incurring tax. These people are using these properties as a

speculative tool and short-term accommodation with no intention of long-term residence; until you address that issue it will not change and the property spiral will continue akin to a pyramid scheme.

The real estate industry also has a vested interest in promoting the property speculation as it directly benefits through the percentage commission on property sales. People have to work long and hard to generate the income needed to pay the real estate commission. When property prices were low the commission system worked, but now it is part of the problem and needs an overhaul.

Yours sincerely,

Donald

Donald Murray
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