

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

### **Release Document**

**February 2019**

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**From:** Andrew Body [1]  
**Sent:** Tuesday, 30 October 2018 10:54 AM  
**To:** TWG Submissions  
**Subject:** Submission on Future of Tax Interim Report - building depreciation deductions

Hello

We refer to the Tax Working Group's "Future of Tax Interim Report" published on 20 September 2018 (the Report).

We wish to submit comments in respect of the Report's comments on building depreciation deductions contained in paragraphs 68 through to 72, Chapter 14.

As a consultancy providing corporate finance and advice services to government, institutional and corporate clients in the property and infrastructure sectors we have extensive experience in the behaviour and valuation of assets in this sector.

Our comments follow:

1. Our experience is that nearly all structures, including buildings, experience both physical and economic obsolescence irrespective of their history of repairs and maintenance.
2. The case of seismic strengthening cited in the Report is but one example of a much larger set of regulatory, market and environmental factors that cause physical and economic obsolescence of buildings.
3. In the case of residential buildings our opinion is that multi-unit residential buildings have a much higher risk of obsolescence than stand-alone dwellings. This is because, compared to a stand-alone dwelling, multi-unit residential buildings:
  - a. have significantly higher building standard regulatory risk
  - b. are more likely to occupy land that develops higher-value uses
  - c. are more likely to be constructed with materials and in locations that create high costs of re-tasking or significantly altering the building to meet new requirements
4. The decision to abolish depreciation deductions for buildings with effect from 2012 was a pragmatic response to the issues that the government faced at the time. However the abolition has affected the neutrality of the tax system and in particular in the case of housing directs investment away from development of multi-unit residential rental buildings, that are likely to provide the lowest cost accommodation in metropolitan centres for New Zealanders unable to afford to own their home.
5. We believe there is a strong case for the reinstatement of depreciation deductions on multi-unit residential, commercial and industrial buildings.

Thank you for the opportunity to make this submission.

Regards

Andrew Body

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