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Political suicide no more – Govt must listen to advice on capital gains

Talk of a cross-party agreement offers the Government a chance to rebalance New Zealand's tax system say the New Zealand Manufacturers and Exporters Association (NZMEA). The tax haven in land and buildings has fuelled non-tradeable inflation and this is too much for the tradeable sector to carry. The claim that a Capital Gains Tax, where the family home is exempt, is unpalatable has more to do with the self interest of a few than any general rejection.

NZMEA Chief Executive John Walley says, "Things like reducing Government spending and minimising compliance costs are necessary but we cannot expect a balanced economy while property tax havens exist. Phil Goff is to be congratulated for making an offer of a cross party agreement, adding his voice to those of the Treasury and the Reserve Bank. Now is the time to balance the tax code and close off this damaging tax haven."

"Bill English has spelt out the problems with New Zealand's economy; there is too much household consumption and insufficient investment in the traded economy. It is difficult to attract productive investment when investments in land and buildings are tax free and the return on tradable activity is so uncertain due to a massively overvalued currency. Real policy change is needed, not talk or wishful thinking."

"Alan Bollard also spelt out the difficulties of managing inflation during a housing bubble in his last Monetary Policy Statement. The high interest rates aimed at stopping the housing bubble attract foreign money damaging the export sector via a substantially over-valued dollar."

"If the Government is opposed to an asset tax we at least need to hear why – 'I don't like them' does not convey why they are a bad idea for the country."