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Tax Working Group needs Government leadership.

The latest report from the Tax Working Group has identified that the 200 billion dollar rental property sector essentially operates tax free and has looked at various ways to close this loophole. The New Zealand Manufacturers and Exporters Association (NZMEA) is calling on the Government to act quickly on this as it has had a devastating impact on New Zealand's productive economy along with a negative impact on tax revenue.

NZMEA Chief Executive John Walley says, "Loopholes are one thing, but the effect the distortions of a narrow tax base have had on the performance of our economy have been ignored for too long. The tax system as it stands promotes investment in unproductive assets drawing capital away from our productive industries that create wealth. A house performs the same function regardless of whether it is worth \$200,000 or \$400,000, whereas higher value machines can deliver the productive outcomes that the economy needs."

"The Tax Working Group is working its way through the details and issues associated with broadening the tax base. Some Government officials point to concerns over the collection and efficiencies of land or capital gains taxes, but there is agreement that they ensure efficiency and fairness in the tax system as a whole."

"Transitional issues are discussed in the background papers; we are the odd one out in the developed world so we can learn from the implementation experience of others and the choices they made in regard to the introduction of a broad tax base."

"The Tax Working Group is laying out the options; politicians must now direct the working group towards their preferred outcomes so they can shift their focus towards implementation. A balanced investigation is important, but it is vital that efforts begin to focus on outcomes."

"We are already starting to see the same imbalances that contributed to our economic decline reappear so tax reform that will support the real economy must be a priority."