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Government must heed Tax Working Group's advice

The New Zealand Manufacturers and Exporters Association (NZMEA) is calling for the Government to heed the Tax Working Group's advice and broaden the tax base to lower personal and corporate tax. The majority of the Tax Working Group (TWG) suggested closing tax loopholes around residential property investment, imposing a land tax and increasing the GST rate to 15 percent.

NZMEA Chief Executive John Walley says, "Tax changes must be designed to incentivise investment in productive industries and the TWG's report has started to move in that direction."

"Tax advantages for rental properties have already cost the country billions in lost tax revenue and the poor investment incentives created by the tax free status of property has been even more damaging and inflationary. The sooner these loopholes are closed the better."

"However, the recommendation to take away the 20 percent depreciation on new plant and equipment will hurt productive firms and should be discarded," says Mr. Walley.

"There was some debate from within the group on the best way to tax property. A comprehensive Capital Gains Tax would be the fairest way, but any move to level the playing field is welcome. The TWG has also recommended that the GST rate be raised to 15 percent to discourage consumption and encourage saving. This change in the balance of incentives is welcome."

"New Zealand relies heavily on personal and corporate tax for its income so reductions in this area are necessary. The reductions in the corporate tax rate would enhance New Zealand's international competitiveness. The need for international competitiveness extends beyond fiscal policy, and the impacts of monetary policy on exchange rates must be part of the rebalancing equation."

"John Key has started the year by underlining his intention to focus on the economy; the recommendations of the TWG and the Capital Markets Taskforce would be a good place to start."

"In all, the success and competitiveness of the real economy is the source of economic wellbeing for all New Zealanders – all policy rebalancing should start with that in mind."

New Zealand Manufacturers and Exporters Association