

**MEDIA RELEASE**  
**9 February, 2010**

Property Council  
New Zealand 

## **Commercial property sector will work for equitable tax change**

The commercial property sector looks forward to working with the Government to ensure potential changes to the tax system do not drive up the cost of doing business in New Zealand.

In response to the Prime Minister's call for changes to the way property is taxed, Property Council Chief Executive Connal Townsend said commercial property is the infrastructure of business, and the business sector itself will ultimately be responsible for creating jobs and increasing the personal wealth of New Zealanders.

"Businesses own more than 80 per cent of commercial property, and their ongoing investment in that infrastructure creates jobs, generates wealth, and drives national economic growth. Those businesspeople are responsible for employing the vast majority of New Zealand workers. Any change to New Zealand's tax system must not result, either intentionally or otherwise, in an increase in the cost of doing business.

"While the Tax Working Group proposed the removal of depreciation for property owners, it was vague about whether such an option should apply to non-residential property. The Government too has been vague as to its intention for depreciation on commercial buildings. We have already seen that uncertainty have a negative impact on the value of the share portfolios of mum and dad investors, including the value of KiwiSaver accounts.

"Commercial buildings do depreciate, which is a cost to business. Any attempt to remove depreciation on non-residential forms of property would place New Zealand businesses at a competitive disadvantage to their counterparts in other OECD countries, including Australia. It would increase the cost of capital and act as a disincentive to investors at a time when New Zealand is struggling to attract the capital needed to return to economic growth," says Mr Townsend.

Property Council President Chris Gudgeon said the Government is right to create incentives for New Zealanders to work hard and increase savings, but stressed that any change to the tax system must entirely align with those outcomes.

"Increasing the tax charge to the businesses operating in factories, offices and retail buildings is not a recipe for boosting New Zealand's productivity-driven economic performance.

"The Government must also be mindful of the need to grow New Zealand's capital market. To do that it needs to encourage savings. Around 1.3 million New Zealanders have already invested in KiwiSaver, and almost all of that investment is Portfolio Investment Entity (PIE) funds," says Mr Gudgeon.

Property Council is pleased that the Government will not progress a number of options discussed by the Tax Working Group, including the land tax and a comprehensive capital gains tax. Both options were opposed by Property Council in its 2009 submission to the Tax Working Group as they would impose more cost on business.

Property Council will now seek to work with the Government and its officials to negotiate outcomes consistent with the Prime Minister's desire to drive economic performance and create jobs.

“What we can bring to the table is clear evidence that details how the different tax options available to the Government affect New Zealand businesses. We believe, based on independent analysis and the experience of overseas jurisdictions, the Government must resist the temptation to apply a blanket approach to all forms of property,” says Mr Townsend.

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NB: The NZIER and KPMG Reports are available on the Property Council New Zealand website: [www.propertynz.co.nz](http://www.propertynz.co.nz). Both reports comment on the impact of removing depreciation on non-residential property. Ross McKinley (KPMG Auckland) and Shamubeel Eaquab (NZIER) authored the respective reports.

**About Property Council New Zealand**

Property Council is New Zealand's property voice. Property Council represents New Zealand's commercial, industrial, retail, property funds and multi unit residential property owners, investors and managers. Property Council has branches throughout the country and its members represent some of the largest commercial property portfolios in Auckland, Wellington, Christchurch, Hamilton and Tauranga, the value of which exceeds \$30 billion.