

order to do this, they will no doubt have to study hard at school, work hard as an adult, and spend their money wisely. People need to realise that this is a way to achieve wealth and doing the opposite leads to poverty.

To blame and penalise people through burdensome taxes just for working hard is perverse. The aim of a fair society is to facilitate people's mobility through the strata of wealth, so that the indolent rich fall and the industrious poor rise.

Bruce Robertson
(Westmere, Auckland)

HOUSING AND TAX

In his speech to the National Property Conference ("House of Cards", July 16), Reserve Bank chief economist Paul Conway states that the Tax Working Group in 2018 showed that the tax system had historically favoured housing as an investment asset.

This is factually incorrect and is based on work that

was presented to the working group by the Treasury and the Inland Revenue Department, which claimed that for a representative investor, housing marginal effective tax rates can be close to five times lower than other investment strategies, such as foreign shares and domestic superannuation funds.

The NZ Property Investors Federation then commissioned an economic report into the validity of the Treasury and IRD research design and conclusions. This report, by economic consultants Morgan Wallace, pointed out errors in the Treasury/IRD research design and their finding that rental property was taxed less than other investment classes.

In summary, the Morgan Wallace report concluded that the Tax Working Group paper assumed that only housing/property has a capital return component and that PIE, superannuation fund and company investments don't.

This is clearly not the case, and rental property pays at least the same marginal tax as other asset classes that have a capital growth element attached to them.

The Morgan Wallace report was then presented to and accepted by the working group, which in its final report did not include or reference the research claiming that rental property was under-taxed. In fact, it said "the group's view is that tax has not played a large role in the current state of New Zealand's housing market, and will be unlikely to play a large role in fixing it".

Peter Lewis
Property Investors Federation

Reserve Bank chief economist Paul Conway responds: "We do not believe the evidence presented by the NZPIF is conclusive enough to remove from the initial RBNZ report (referred to in the *Listener* article).

"Neither Treasury nor IRD has retracted the tax analysis and the NZPIF-commissioned report does not sufficiently change results to alter any conclusions drawn.

"We note that this Treasury and IRD analysis is backwards looking, and more recent changes in tax policy and economic conditions mean that these taxation and economic relationships may not continue in future."

Letters to the editor {listenerletters@aremedia.co.nz}

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- A writer's full residential address is required on all letters, including emails.

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