



29 August 2019

Mr Murray Sherwin
Chair
Productivity Commission
PO Box 8036
The Terrace
WELLINGTON

Dear Murray

LOCAL GOVERNMENT FUNDING AND FINANCING DRAFT REPORT – TAXATION OF VACANT LAND

The Corporate Taxpayers Group (“the Group”) is writing to submit on the *Local government funding and financing* draft report (“draft report”).

The Corporate Taxpayers Group is a group of over 40 of New Zealand’s major New Zealand companies that contributes to the development of tax policy, and to enhancements in tax administration. Significant stakeholders of Group members are New Zealanders, and therefore a New Zealand economy and society that is functioning well is in the interests of the Group.

The Group welcomes the opportunity to comment specifically on the issue of the taxation of vacant land. A vacant land tax was considered by the Tax Working Group (“TWG”), and was subsequently recommended by the TWG as an issue for the Productivity Commission to consider as part of its inquiry into local government funding.

OUR SUBMISSION

1. Clear problem statement

- 1.1 The Group submits that if a vacant land tax is to be considered further, there needs to be the development of a clear problem statement which outlines why a vacant land tax is being explored. The Group understands that housing supply and affordability are key concerns, and that a vacant land tax may be considered to increase the supply of housing stock in New Zealand through the development of land currently used for other purposes (as well as to better utilise existing housing stock). The Group would also like to understand where the concept of ‘land banking’ fits into these discussions.
- 1.2 It is important that this problem statement addresses the key issue/s at hand, so that any solution is targeted at the problem to be solved. It is also important that other measures are considered as part of a package of options to address the problem statement, not only a vacant land tax. If any proposed measures, including a potential vacant land tax, are not considered effective when assessed against this problem statement, then the proposals should not proceed.

Contact the CTG:

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We note the views in this document are a reflection of the views of the Corporate Taxpayers Group and do not necessarily reflect the views of individual members.



2. *The definition and scope of 'vacant land'*

- 2.1 A TWG information release on the taxation of vacant property¹ (dated February 2019) queried whether a vacant land tax could be effective in addressing the housing shortage. In response to this the TWG stated that there is little evidence to suggest that the taxation of vacant land is an effective means of increasing the supply of housing, but if such a tax was going to be introduced it would be crucial to establish a clear definition.
- 2.2 The Group submits that the definition of 'vacant land' should be limited to vacant residential land and not be extended to target vacant commercial land. The Group notes that limiting the scope of the tax in this way is in accordance with the position of the TWG in its Final Report which only refers to vacant residential land. The policy rationale behind introducing a vacant land tax, namely to provide an additional supply of housing to areas where the demand exceeds the supply, could be achieved by limiting the scope of the tax to vacant residential property without the need to tax vacant commercial property. In the Group's view, commercially zoned land is not the issue that is affecting the housing supply, and businesses will have various commercial reasons for holding onto land for the purposes of their business. If commercially zoned land is considered to be in the scope, the Group submits that a vacant land tax is not the appropriate means to address this.
- 2.3 The Group also submits that the definition of "vacant" and/or "unoccupied property" are carefully considered. As raised in the TWG information release, an exercise will need to be undertaken to determine the situations in which the current use of land (that is 'vacant') is less valuable than providing residential accommodation. This is a tricky exercise as there are a variety of ways in which land can be used and there are many legitimate reasons for property to remain 'vacant'. An example given in the TWG information release is whether communities should value greenbelts / nature reserves over the issue of an undersupply of housing. Further, any definition of vacant land must be clearly defined to ensure that only targeted activities are captured, as well as to make sure that the tax can be reasonably easily enforced.

3. *Other considerations*

- 3.1 The Group would also like to take the opportunity to submit that as well looking at the definition of 'vacant land' there are other key decisions that will be required before implementing a vacant land tax. As stated in the Tax Working Group's initial information release it will be important to consider the appropriate means of establishing and maintaining a register of vacant property, the appropriate tax rate to apply, any anti-avoidance rules and process, and the approach to monitoring and evaluating the effectiveness of the policy. It is also important to consider who will be administering vacant land tax and whether the cost of administering such a tax outweighs any benefits. All these settings are important to consider, to determine whether the problem to be addressed is actually being addressed appropriately.
- 3.2 Given the above considerations, the Group submits that a thorough consultation process is undertaken if any of these proposals are to proceed, with key stakeholders being consulted in line with the Generic Tax Policy Process.

¹ <https://taxworkinggroup.govt.nz/sites/default/files/2019-02/twg-bq-4037441-taxing-vacant-property.pdf>



For your information, the members of the Corporate Taxpayers Group are:

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|---|---|
| 1. AIA Sovereign | 24. New Zealand Racing Board |
| 2. Air New Zealand Limited | 25. New Zealand Steel Limited |
| 3. Airways Corporation of New Zealand | 26. New Zealand Superannuation Fund |
| 4. AMP Life Limited | 27. NZME Limited |
| 5. ANZ Bank New Zealand Limited | 28. Oji Fibre Solutions (NZ) Limited |
| 6. ASB Bank Limited | 29. OMV New Zealand Limited |
| 7. Auckland International Airport Limited | 30. Pacific Aluminium (New Zealand) Limited |
| 8. Bank of New Zealand | 31. Powerco Limited |
| 9. Chorus Limited | 32. SKYCITY Entertainment Group Limited |
| 10. Contact Energy Limited | 33. Sky Network Television Limited |
| 11. Downer New Zealand Limited | 34. Spark New Zealand Limited |
| 12. First Gas Limited | 35. Summerset Group Holdings Limited |
| 13. Fisher & Paykel Appliances Limited | 36. Suncorp New Zealand |
| 14. Fisher & Paykel Healthcare Limited | 37. T & G Global Limited |
| 15. Fletcher Building Limited | 38. The Todd Corporation Limited |
| 16. Fonterra Cooperative Group Limited | 39. Vodafone New Zealand Limited |
| 17. Genesis Energy Limited | 40. Watercare Services Limited |
| 18. IAG New Zealand Limited | 41. Westpac New Zealand Limited |
| 19. Infratil Limited | 42. WSP Opus |
| 20. Kiwibank Limited | 43. Xero Limited |
| 21. Lion Pty Limited | 44. Z Energy Limited |
| 22. Meridian Energy Limited | 45. ZESPRI International Limited |
| 23. Methanex New Zealand Limited | |

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Yours sincerely

John Payne
For the Corporate Taxpayers Group