

Tax Working Group Public Submissions Information Release

Release Document

February 2019

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



10 October 2018

**Sir Michael Cullen
Chair
Tax Working Group**

Via Email: submissions@taxworkinggroup.govt.nz

Re: Tax Relief for Owners of Earthquake-prone buildings

The issue of earthquake-prone buildings is of major concern to the Whanganui District Council with our city having a disproportionate number of earthquake-prone buildings compared to our population. Not only do we have a significant number of privately-owned buildings that need strengthening to meet the requirements of the Building (Earthquake-prone Buildings) Amendment Act 2016 the Council is also faced with strengthening its own portfolio of buildings, a number of which are heritage listed.

We are very aware that the economics of strengthening are a real challenge for owners who struggle to achieve a return on their investment in smaller regional centres where there is little demand for commercial rental space.

Accordingly, we were pleased to see the comments made in “Appendix B: Design Features for extending the taxation of capital gains” of the Tax Working Group’s Interim Report published on 20 September 2018. We believe that both initiatives - the reinstatement of depreciation on buildings and the tax treatment of seismic strengthening – would make a real difference to the financial viability of strengthening earthquake-prone buildings.

We have received reports from our Whanganui Earthquake-prone Building Community Taskforce advising that despite the support made available to private owners of heritage buildings by the Heritage EQUIP Fund for strengthening earthquake-prone buildings the financial viability of such an exercise is simply unacceptable.

From a Council perspective we face the issue of building owners simply ignoring the Building Act requirements and abandoning their buildings. We have a current example of a building owner not being able to fund the cost of strengthening and being declined an application to demolish the building. The building has been offered for sale but realistically the problems faced by any new owner will be the same as for the current owner.

We therefore believe that the reinstatement of building depreciation and providing tax relief for the strengthening and refurbishment costs would go a long way to making the strengthening of earthquake-prone buildings economically viable. We encourage the Tax Working Group to include those to initiatives in the final version of the Group's report.

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Hamish McDouall
Mayor
Whanganui District

[1]

Kym Fell
Chief Executive
Whanganui District Council