KEY ISSUES IN THE DESIGN OF CAPITAL GAINS TAX REGIMES

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Scene setting

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1. Three tax policy reviews: NZ, UK, Australia

- Country and time
- System as a whole
- Multi-disciplinary
  - Economics – model, theory, evidence, judgment
  - Law
  - Accounting
  - Political science ...

For NZ, the VUW Tax Working Group (2010)
For the UK, the Mirrlees Review (2010 & 2011)
For Australia, the Henry Review (2009)
2. Significant revenue needs ahead!

### 3. NZ CGT revenue estimates

<table>
<thead>
<tr>
<th>Asset category</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual investment property</td>
<td>$1.4 billion</td>
</tr>
<tr>
<td>Commercial property</td>
<td>$1.0 billion</td>
</tr>
<tr>
<td>Rural property</td>
<td>$1.8 billion</td>
</tr>
<tr>
<td><strong>Subtotal (excluding owner-occupied housing)</strong></td>
<td><strong>$4.2 billion</strong></td>
</tr>
<tr>
<td>Equities</td>
<td>$306 million</td>
</tr>
<tr>
<td><strong>Subtotal (excluding owner-occupied housing)</strong></td>
<td><strong>$4.5 billion</strong></td>
</tr>
<tr>
<td>Owner-occupied housing</td>
<td>$4.6 billion</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$9.1 billion</td>
</tr>
</tbody>
</table>

NZ Officials to Tax Working Group (2009)
4. Theory

1. Current NZ tax system as a whole
   Hybrid income tax with distortions & GST

2. Uniform or differential taxation?
   1. Equity
   2. Efficiency
   3. Revenue integrity
   4. Compliance and administrative costs
5. Volatility of Tax Revenue Under Three CGT Methods, in Constant $1990 (Based on Data From US)

Revenue in Billions US$

Year


Accrual

Realization

RFRM

Burman & White (2003)
Bibliography