

Select Committee on the Operation of the Capital Gains Tax Discount

By Paul R. C. Goard, B.Sc., Retired Physicist.

This is being made as by one with a few long term investments, with no other conflicting interests.

It is addressed to point 'f' of the Terms of Reference, i.e. whether this tax discount is fulfilling its original intended purpose.

The original Capital Gains Tax Act included provision for the loss of value through inflation measured by the CPI. This proved too difficult to calculate, so a very generous change was made, that after one year a 50% discount was applied.

As it is now 40 years since introduced, the effect of discounting, using the annual CPI can be assessed.

This gives close to the dollar halving in value in the first 20 years and halving again in the next 20 years. So after one year up, and to 20 years the discount is overgenerous, and after 20 years more tax is being levied than it would have been under the original scheme.

Predicting what might have happened is difficult, but in hindsight the discount could have been set at no discount for the first four years, then 10% off after each four years, up to 20 years.

It could still be extended at the above suggest rate for the next 20 years, with none thereafter, or modified to suit the politics of the policy.

So the changes to the original act did not fulfill its original intended purpose. Much revenue has been lost and some are now paying more than they should.

Any decision depends on how fair the legislators decide to make any changes.
