

Tax, Investment and Opportunities

Tax Working Group's final report is now out and comments are flying around.

The New Zealand Institute of Economic Research says the report is insightful but meek. They say New Zealand's current tax system is harmful to growth through its heavy reliance on taxing personal and corporate income and that the tax structure distorts people's employment, saving and investment choices.

Their view is tax reforms should be accompanied by reining in government spending, better targeted and more effective, with an internationally excellent health and education system, and an overhaul of the social welfare system. *"We should be looking at genuinely radical reductions in tax rates on mobile capital and labour, increases in GST, and tax arrangements that support growth and innovation"* they said.

To see the ShareChat article [click here](#)

But as usual most of the comment is about whether property, and residential property investment in particular, will be targeted. See the article on specialist accountancy website NetProphet.co.nz [here](#)

This is not surprising. In my last GLOBAL UPDATE I reported the latest surveys show rental property and bank savings as the most popular form of investment. I said *"Rental property remained marginally ahead of bank savings as the most popular form of investment – a net 16% - but its appeal has tracked down in the last three months. Of those who do have rentals as their main form of investment, 57% believe it will offer the best return in the coming 12 months."* To read that GLOBAL VIEW [click here](#)

Now that property investment is threatened by tax changes we're seeing a number of articles both for and against a change. Proponents of the change generally claim that property investment channels money away from areas that would be more productive for the economy - investment in business and the sharemarket in particular. On the other hand, owners of property claim they are currently treated no different from investors in other asset classes.

For excellent comment on the pros and cons read the article entitled "Landlords bristle over tax claims" in Stuff. To read this [click here](#)

And for an article in the Herald about how the property tax plan could stack up [click here](#)

But if you are a larger investor looking at investments other than property or the sharemarket, there are opportunities elsewhere. In my last GLOBAL VIEW I promised to update some of the investment opportunities I've seen in joint ventures or equity or loan/equity participation in projects. These include:

- A stake in a profitable aged care business. 10% preference shares with put-option to issuer in 2 years, which if exercised would give 22% IRR.
- Private placement of 12% Convertible Preference shares in new non-bank trade finance business about to file prospectus for public offering in Australia and New Zealand. Proceeds from the private placement will be applied to pre-offering balance sheet and costs.
- Owner of Central Otago rural property about to receive freehold status under government tenure revue, is looking for JV partner.
- Long term leasehold interest in Auckland airport land subleased for 10 years to strong profitable tenant. 12% return rising to 20% plus by the time the tenant exercises their right of renewal. Finance available.

We also hear of opportunities where lenders are pressuring property and business owners for more equity as lending ratios tighten and the credit crunch bites. These offer the chance for for a good buy or an

investor to take a loan/equity position secured above the existing owner giving the investor a return plus part ownership of the asset.

The details of many of these are subject to signing a confidentiality agreement and some are only available to those who are "habitual investors" or qualify as an "eligible person" To see the definition of an eligible person [click here](#).

If you're interested in looking this sort opportunity, or if you've got an interesting project that you can't fund which might suit this type of investment, email me or call me on my mobile 021 902 004 any time.

Meanwhile in the debt finance markets loans are still hard to get, but new lenders and new ways of structuring loans are appearing. For example we have access to parties that provide project underwrites, deposit bonds, and cash flow and rental guarantees that can give comfort to lenders who would otherwise decline a loan.

Cheers

JP

A handwritten signature in black ink, appearing to read 'John Paine', written in a cursive style.

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