

PM says TPP carved out ability for NZ to impose land tax or stamp duty on non-resident buyers; says Labour Govt could still flout TPP and impose foreign buyers ban

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By Bernard Hickey

Prime Minister John Key has reiterated the Trans Pacific Partnership (TPP) agreed last week would still allow New Zealand to impose a special land tax or stamp duty on non-resident buyers of property, although he said it was not something the Government was actively considering.

Key suggested in July ([see our earlier article here](#)) that the Government could impose a land tax or stamp duty to try to control the demand pressures driving house price inflation over 20% in Auckland.

"I wouldn't say we were actively looking at that (a land tax or stamp duty on non-residents) today, but certainly TPP allows us, if we want to, to apply taxes -- or costs would be a better term -- to non-residents," Key told his first post-cabinet news conference after the agreement of the TPP in Atlanta.

MFAT also said last week that revenue measures aimed at all non-residents would not be excluded from the TPP, although New Zealand could not ban property sales in future under the agreement -- a condition that would breach one of Labour's bottom lines for supporting the TPP.

Key said Labour could, in theory, simply legislate to ban foreign purchases of land or property in contravention of the TPP and deal with any legal consequences. Key pointed to Australia's flouting of trade rules on apple imports from New Zealand over an 80 year period as an example.

"In the end, governments make their own call and it's up to others whether they want to go and challenge that," Key said.

"Technical people can go into all sorts of things. It just means that if someone wants to take a case against them and dispute that, they might have a much stronger argument," he said.

"I am not saying it's OK. I'm just saying, technically, any government can flout any free trade agreement rules that they set and there will be a process of arbitration of those if someone wants to take an arbitration case against them," he said.

"Whether they do or not, if you think about New Zealand and its issue with Australia about apples, that went on I think for 80-odd years. It took a hell of a long time before we ultimately took an arbitration case to the WTO, so you can take it but countries often don't for a long period of time."

Key repeated that he didn't think such bans worked.

"I wouldn't have thought that for the countries we are talking about involved in the TPP it's really the biggest issue that is driving our housing market. Frankly I don't think they are. If you look at Australia, where they have theoretically got a ban, it's been spectacularly unsuccessful, so in my view, if you really wanted to say that you thought the driving issue around your housing markets and escalation of prices was foreigners, then there would be many other ways you could deal with it which would be likely more successful," he said.

"Certainly the application of an ongoing land tax or whatever is far more likely to be a deterrent to someone than a ban, because there are lots of ways you can get around those bans.