

From:
To:
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Subject: Allens report for Property Council
Date: Tuesday, 12 June 2012 9:36:44 AM
Attachments: [ACG Small Change Big Impact.pdf](#)

Attached is the Allens report for the Property Council from today's paper.

We will prepare an EM on it as soon as possible, but on a quick viewing it falls short of what you would need to do to assess this properly.

As we see it, there are two broad problems with the methodology.

General – It looks at the macroeconomic impact of a tax increase without considering how other levers would adjust to keep the economy fully employed (eg, exchange rate, interest rates). So if you used this analysis everu spending cut/tax increase would be bad for the economy (and vice versa).

Specific – There looks to be a problem with how they have translated the MIT WHT to their CGE model, in that they have assumed it is the same as a general increase in tax on capital (ie, they appear to have modelled it as an increase in the corporate tax rate). This suggests that Allens have not been advised that MIT WHT primarily affects one/two sectors (real estate development, managed funds sector) and that it only applies to a particular type of income (rental income and capital gains from real property).