Capital Gains Tax on businesses… NOT fair! NOT practical!

- As Tony Alexander says: *"it would be a nightmare getting every asset in the country valued as a starting point for capital gain considerations".*

- Business valuation is an art as much as a science. There is no software program that can accurately value all businesses. All opinions of value will contain subjective judgements.

- Many of the value drivers of businesses do not appear on the Balance Sheet.

- The suggested threshold of $5m turnover for liability for CGT is arbitrary. Fundamental to business valuations is that value equals earnings divided by a capitalistation rate that balances risk and reward. Some businesses have significant sales but low profit margins, e.g. service stations. Business valuation should be forward-looking. A purchaser is buying the anticipated future earnings for the enterprise. Accountants tend to focus on historic performance which is no guarantee of future results.

- Businesses mostly sell on an "assets" basis, i.e. plant, goodwill and stock. The proposed CGT may lead to owners deferring capital expenditure to hold value down.

- New Zealand has few specialist business valuers and no recognised designation or qualification. The law profession will benefit from the inevitable increase in litigation and unemployment will be diminished by the creation of a bureaucratic monster to implement and monitor the tax.

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