

GOVERNMENT'S TIGHTENING UP ON PROPERTY TAX WHAT WE ARE SEEING AS A RESULT

BY BLACKLER SMITH & CO. CHARTERED ACCOUNTANTS AND BUSINESS ADVISERS

The media has certainly highlighted issues concerning housing in a wider context for the past while. With the pressures on our housing market in New Zealand in general (the lack of, affordability, overseas investment), the Government has introduced measures to try to reduce property speculation, which they foresee will reduce house prices in general.

WHAT ARE THESE MEASURES AND HOW DO THEY AFFECT ME?

BRIGHT-LINE TEST

The bright-line test was introduced on October 1, 2015 so is only in its infancy. Generally speaking (summarised here only) if you buy a house and sell it within two years from October 1, 2015 and it's not the family home you will be taxed on any gains. Any losses are 'quarantined' and aren't offset against your other income (but they can be used against any current and future bright-line gains).



CAN YOU SELL A PROPERTY AFTER TWO YEARS WITHOUT GETTING TAXED?

There is no definitive answer to this question. Property, GST and income tax on property are probably the most complex issues we strike as Chartered Accountants.

Property taxation is often overlooked by people and largely comes down to your intention at the time of purchase. Typically intention at time of purchase is to rent out a property for a long period of time. *Tainting:* Some tax payers are already considered 'tainted' by IRD as due to prior activities they are considered to be a developer or property trader at the time of purchase, so can never get that elusive tax free capital gain that drives a lot of our behaviour.

URGENT IRD NUMBERS

Any property sale now must be transacted between two IRD numbers and registered with LINZ (Land Information New Zealand). If there



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is no IRD number the sale will not proceed. Lawyers and real estate agents are pretty well informed now, but we are still getting a number of requests for IRD numbers a day or two out from settlement causing some unnecessary last minute dramas.

THE FUTURE?

We suspect with IRD numbers now being recorded for each transaction, IRD activity will only increase. IRD may write to you, asking for an explanation if you sell a property within two years and a few months. However, time will tell on this as it's early days.

As with any law, there are subtleties that can be applied to various scenarios, so as always, consult your professional team for more specific advice.

Ben Blackler and Blair Smith are very familiar with various ownership structures relating to property and can advise you on the tax implications and how the law will be applied to your specific situation. Call to discuss on 555 9090, email info@bsco.co.nz, or visit our website www.bsco.co.nz to learn more about us.

