



This summary accompanies our webinar: *Changes to property tax 2022*

[ird.govt.nz/2022-changes](https://ird.govt.nz/2022-changes)

#### 10-year bright-line rule



Bright-line property rule has been extended to 10 years.

Applies to properties purchased on or after 27 March 2021.

Residential properties may be subject to income tax on any profit made, if sold within 10 years.

#### 5-year bright-line rules

A shorter bright-line period of 5 years is expected to be introduced for new builds.

Applies for the initial owners.

New builds purchased off the plans and new builds constructed on land already owned will also qualify for the 5 year bright-line period.



#### Main home exclusion

There are changes to the main home exclusion where a main home and rental property are on the same land:



- If the main home is >50% of the land, it will be excluded from the bright-line property rule
- If the main home is <50% of the land, any gain on sale will be apportioned between the main home (untaxed) and the rental property (taxed)

#### Making bright-line easier

The Bright-line residential property sale information - IR833 form will be pre-populated with property information.



A new bright-line guide is in development and is expected to be published in April 2022.

Soon there will be the ability to respond to bright-line correspondence through myIR.

You can let us know in myIR if a sale doesn't fall within the bright-line rule, and we will update our records

#### Residential income definition

The definition of 'residential income' will include income that a person derives from a foreign currency loan to finance residential rental property.



### Limiting interest deductibility

Ability to claim interest on loans for residential property as an expense is being phased out.

For residential property acquired on or after 27 March 2021, interest will be denied as an expense from 1 October 2021, unless an exclusion or exemption applies.

For property acquired before 27 March 2021, the ability to deduct interest on existing loans is being phased out over 4 years, ending 31 March 2025.

Interest on new loans drawn down on or after 27 March 2021 will not be deductible.

### Phasing out interest deductions

Income year	Interest you can claim
1 April 2020 - 31 March 2021	100%
1 April 2021 - 30 September 2021	100%
1 October 2021 - 31 March 2022	75%
1 April 2022 - 31 March 2023	75%
1 April 2023 - 31 March 2024	50%
1 April 2024 - 31 March 2025	25%
1 April 2025 onwards	0%

### Exemptions and exclusions



The proposed new interest limitation rules will apply to properties that are suitable to be used for long-term residential accommodation.

Some types of residential accommodation will be excluded from the rules. These are generally properties unsuitable for use as long-term accommodation or for first home buyers.

### Land business exemption

Applies for interest relating to land held as part of a business which develops, subdivides, or deals in land, or which erects buildings on land.

Interest relating to remediation work and other expenses from the ownership and development of the land will also qualify if this exemption applies.

### Development exemption

You may qualify for the development exemption if you undertake a one-off development for the purpose of creating a new build.

### New build exemption

The exemption will apply to the initial owners and any subsequent owners for 20 years from the date of the CCC.

A new build is a self-contained residence that is added to land, with a CCC issued on or after 27 March 2020.

**THANK YOU!**