

Deducting residential land withholding tax

This factsheet will help you work out whether you're a withholder, if you need to deduct residential land withholding tax (RLWT) from a residential land sale or disposal, and your obligations.

RLWT may need to be deducted from residential land sales or disposals where a sale amount is paid/payable on or after 1 July 2016. The person that withholds the deduction is called a "withholder".

RLWT generally needs to be deducted when the property being sold or disposed of is located in New Zealand and meets the definition of "residential land", and the vendor:

- is an offshore RLWT person (this is a new definition and differs from the definition of offshore persons for IRD number applications), and:
 - purchased or acquired the property on or after 1 October 2015 through to 28 March 2018 inclusive, and owned it for less than two years before selling, or
 - purchased or acquired the property on or after 29 March 2018, and owned it for less than five years before selling.

Note: There are exclusions for inherited property.

Work out when a property falls within the bright-line period at www.ird.govt.nz (search keywords: date of sale).

Work out if you're a withholder

You're a withholder if:

- you're the conveyancer for the vendor (unless the vendor is associated to the purchaser), or
- the vendor doesn't have a conveyancer and you're the conveyancer for the purchaser, or
- you're the purchaser of the property and neither you or the vendor have a conveyancer, or
- you're the purchaser of the property and you and the vendor are associated persons.

To decide if you're "associated persons", use *A guide to associated persons definitions for income tax purposes (IR620)* at www.ird.govt.nz (search keyword: IR620).

Deducting RLWT

To confirm if RLWT needs to be deducted, get a completed *Residential land withholding tax declaration (IR1101)* from all persons selling residential land:

- within two years of purchase or acquisition when the purchase or acquisition date was on or after 1 October 2015 through to 28 March 2018 inclusive
- within five years of purchase or acquisition when the purchase or acquisition date was on or after 29 March 2018.

If the vendor doesn't give you an IR1101, or the IR1101 is incomplete, you may assume that they're an offshore RLWT person if they meet the other withholding requirements and deduct RLWT from the purchase amount. This may avoid the risk of penalties being imposed on you.

Don't deduct RLWT if the vendor:

- shows you a valid Certificate of exemption from RLWT for the property being sold or disposed of, or
- provides the required documents to show it's an excluded property sale or disposal. You need to make a copy of these documents for your records.

Find out more about your obligations when deducting RLWT at www.ird.govt.nz (search keyword: RLWT).

How much to deduct

Using our RLWT calculator is the easiest and fastest way to work out how much RLWT to deduct. Find the calculator at www.ird.govt.nz (search keywords: RLWT calculator).

If you're manually working out how much RLWT to deduct, these are the calculations you need to make. The amounts in these calculations are excluding GST, even if you're not registered for GST.

Calculation 1

Sale price × 10%

Calculation 2

The greater of:

- (sale price less purchase price the vendor originally paid for the property) × **RLWT rate**, or
- zero.

Calculation 3

There are two options for this calculation depending on who you are.

1. You are the **vendor's** withholder.

The greater of:

- sale price less any amounts required to cover any mortgage or other security with a New Zealand registered bank or licensed non-bank deposit taker against the property, and any outstanding local authority rates, or
 - zero.
2. You are the **purchaser**, or the **purchaser's conveyancer**.

The greater of:

- sale price less any outstanding local authority rates, or
- zero.

Only work out the RLWT on the offshore RLWT person's share of the property when a property is jointly owned.

The lesser amount of all three calculations is the amount of RLWT to deduct. Show this amount in the "Amount required to be deducted (in NZ\$)" field on the *Residential land withholding tax return (IR1100)*.

RLWT rate

For companies, and incorporated clubs and societies, the RLWT rate is 28%.

For individuals, all other non-individuals, and companies acting as trustees of a trust, the RLWT rate is 33%.

After you've deducted RLWT

You need to file a *Residential land withholding tax return (IR1100)* and pay the RLWT to us by the 20th of the month after the deductions were made, eg, deductions made in July are due 20 August.

The IR1100 has more information on how to file your return and make a payment.

Make sure you let the vendor know the amount of RLWT deducted, such as showing it on their settlement statement. They need this amount to complete their end-of-year income tax return.

More information

When the purchase price is paid in instalments

When the purchase price is being paid in instalments, start deducting RLWT from the payments you receive once 50% of the purchase price has been paid.

File an IR1100 and pay the RLWT every month you receive a payment.

Residential land withholding tax must be calculated and paid before other disbursements made as part of the settlement process

The only exceptions to this are payments:

- to cover any mortgage or other security with a New Zealand registered bank or licensed non-bank deposit taken against the property
- for outstanding local authority rates.

When there isn't enough money to pay the RLWT

You still need to complete an IR1100 if there isn't enough money to pay the RLWT that should've been deducted. Note the actual amount required to be deducted on the IR1100, even if this is zero. You need to attach a letter advising why the amount being paid is less than the amount calculated to be deducted.

Penalties and interest

Penalties may apply if you don't file your IR1100 or pay the correct amount of RLWT. Interest may also apply to late payments.

For more information about interest and penalties go to www.ird.govt.nz (search keyword: RLWT).

Note: Withholder's aren't liable for the vendor's RLWT obligations when they have reasonably relied on the IR1101 and accompanying documents.



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- **Demonstrations** - learn about our services by watching short videos.
- **Get it done online** - complete forms and returns, make payments, make an appointment to see us, give us feedback.
- **Work it out** - use our calculators, worksheets and tools, for example, check your tax code, find filing and payment dates, calculate your student loan repayment.
- **Forms and guides** - download our guides and forms or fill in forms online.

Forgotten your myIR user ID or password?

Request a reminder of your user ID or reset your password online. You'll need to know your IRD number and have access to the email address we hold for you.

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