

New Tax Rules for Buying and Selling Residential Property

Yesterday Prime Minister John Key confirmed that this week's Budget will include a number of new tax rules for people buying and selling residential property.

Most significantly, the rules will include:

- Requiring non-residents and New Zealanders buying and selling property (other than their main home) to provide a New Zealand IRD number.
- Requiring non-residents to have a New Zealand bank account.
- Introducing a new "bright line" test to tax gains from residential property sold within two years of purchase, unless it is the seller's main home, inherited or transferred in a relationship property settlement. Unlike the current tax rules, this new test will not depend on proving a seller's intent to make a capital gain.

The new tax rules are subject to consultation but are to take effect from 1 October of this year. The "bright line" test will apply to all properties bought on or after that date.

The new tax rules will not affect the current tax rules, whereby anyone buying property with the intention of selling for a gain is liable for tax on that gain. Those rules will continue to apply in addition to the new rules.

While the detail of the new tax rules have not yet been released, you can expect to hear more about them in the news when the Budget is announced on Thursday. We will keep you up to date as this matter develops. If you have any questions in the meantime, please contact one of our [Residential Property team](#).