

## Be aware of new residential land withholding tax implications

Residential land withholding tax (**RLWT**) came into effect on 1 July 2016. The RLWT regime is part of a suite of recent regulatory reforms that relate to residential property transactions.

The reforms already in place include:

1. The introduction of a "bright line" test which requires income tax to be paid on gains from the sale of residential land that is bought and sold within two years, subject to some exceptions.
2. Disclosure requirements for all participating in land transfers.

Broadly speaking, the RLWT regime is a collection mechanism for the "bright line" test as it requires (usually) lawyers for "offshore persons" selling residential property in New Zealand to withhold RLWT from the purchase price and pay it to the Inland Revenue before releasing the balance of settlement funds to the vendor. Other than New Zealand registered mortgages and local authority rates, RLWT takes priority over any other claim to settlement funds.

An "offshore person" is broadly defined under the regulations. Accordingly in certain circumstances, New Zealand based companies and trusts, and in some cases New Zealand citizens, may be subject to RLWT or required to provide IRD declarations.

Given the complexity of the rules, we recommend seeking advice from the [conveyancing specialists](#) at Anderson Lloyd on the implications of this new legislation before entering into an agreement to sell residential property.

The IRD has further details on the RLWT at <http://www.ird.govt.nz/rlwt/rlwt-index.html>