

What might the election results mean for land and property?

The general election results are in, with National and Act currently holding a slim majority. The formation of the next government will depend on the outcome of the special votes. With how the votes currently look, we thought it timely to look into some of the impacts on land and property from National and Act's proposals.

Bright-line Period

National proposes to reduce the bright-line period for residential property to two years, which is the same as when the policy was initially introduced by National in 2015. Currently any gain on the sale of residential property purchased from 27 March 2021 onwards can be subject to tax for up to ten years from sale, unless it is a qualifying new build, which is subject to a five year bright-line period. There are also some exceptions to paying tax if the property is sold within the bright-line period – such as if the property is used as a "main home". The proposed reduction would take effect from July 2024.

Tax Deductibility

Currently, interest deductions on residential rental properties are either denied or being phased out. National proposes to reinstate landlords' ability to deduct mortgage interest as an expense from income their rental properties. This measure will be phased in with deductibility kept at 50% from April 2024, 75% from April 2025 and full restoration from April 2026.

Residential Tenancies

National proposes to reverse the removal of no-cause terminations, which was introduced by the Labour government in 2021. National also proposes to reverse the provisions that allow a near automatic rollover of fixed term tenancies into periodic tenancies.

Foreign Buyer Tax on Residential Property

National proposes to allow foreign buyers (buyers who do not hold a resident class visa and are not "ordinarily resident in New Zealand") to purchase residential property in New Zealand (provided the purchase price is over \$2 million, the foreign buyer pays a foreign buyer tax of 15% of the purchase price and the property is not "sensitive land" for another reason). Foreign buyers will still not be able to purchase residential property under \$2 million, however it is assumed these proposed changes will not apply to Australian and Singaporean citizens as they are not currently affected by the ban on buying residential property in New Zealand.

Tax Depreciation on Commercial Buildings

Tax depreciation on commercial buildings will be removed. This measure was reinstated by the Labour government in 2021 in response to COVID-19 after being originally removed by the then National government in 2010.

Medium-Density Residential Standards (MDRS)

National proposes to allow Council to "opt out" of the MDRS. The MDRS allows the development of three storey dwellings on residential land in New Zealand's main cities (unless a "qualifying matter" applies). National has signaled its preference for greenfields development.

Climate Change and the Emissions Trading Scheme (ETS)

The Act party proposes to repeal the Zero Carbon Act and get rid of the Climate Change Commission, which was formed in 2018 with multi-party support. Act supports emissions targets being replaced with a target that ties New Zealand's emissions cap to our trading partners' emissions. Act proposes to build resilient infrastructure as a means of adapting to the effects of climate change. It is worth noting that National supports the Zero Carbon Act and the Climate Change Commission so it remains to be seen whether Act's proposed changes will be implemented.

What might the election results mean for land and property? (Continued)

National proposes to limit the conversion of productive farmland to forestry for carbon farming purposes. For high quality land, there will be a three-year moratorium on whole farm conversions to exotic forestry registering for the ETS, however up to a quarter of each farm will be exempted from these limits to encourage farmers to plant trees and earn additional revenue via the ETS.

Want to know more?

If you have any questions about these proposed changes following the 2023 general election, please contact our specialist [Property](#), [Forestry](#) and [Carbon Trading](#) teams.