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How does the budget changes to Tax on Property affect me?

The budget has made some changes to the taxing of property. There is often a common misconception that we don’t have a capital gains tax here in New Zealand. However under the current law anyone buying property, with the intention of selling it for a gain, is liable for tax on that gain.

New rules which are coming in from 1 October this year, which apply to all New Zealander’s and Non-Resident’s, will expand on this. The new rules will tax any gain made on the purchase and sale of a residential property if it is sold within two years. However, this won’t be the case in the following circumstances:

- When the property sold is the seller’s main home
- When the property sold was inherited from a deceased estate
- When the property sold was transferred as part of a relationship property settlement

These exceptions will eliminate any tax arising when the family home is sold. However, there are still a number of cases where the tax may be imposed. An example might be when a property is purchased, rented out for a year and then sold.

There are also other new rules including foreign buyers having to provide an IRD Number & hold a NZ Bank Account when buying or selling property. They must also provide their tax identification number from their home country, along with current identification requirements such as a passport.

It is important to note that this expands the existing rules rather than replacing them. For example, if you buy a property with the intention of selling it for a gain, even if it is outside the two-year period, you will still have to pay tax on the gain.

This is unlikely to impact on many of us on the West Coast, but it will be very easy for successive governments to increase the number of years as a half way measure for a true capital gains tax.

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