

Deducting residential land withholding tax (RLWT)

Read this factsheet to work out whether you're a withholder, if you need to deduct RLWT from a residential land sale and your obligations.

RLWT may need to be deducted from residential land sales. Sale means any form of disposal of the property including transfers or gifts.

The person that withholds the deduction is called a withholder.

RLWT generally needs to be deducted when:

- the property being sold meets the definition of residential land, is located in New Zealand, and
- the vendor is an offshore RLWT person (this differs from the definition of offshore persons for IRD number applications), and
- the bright-line test applies because the property is being sold within 2 years of buying it.

Note: For property sold before 1 July 2024, different timeframes apply. Find out more at ird.govt.nz/bright-line

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)
- the vendor does not have a conveyancer and you're the conveyancer for the purchaser
- you're the purchaser of the property and neither you nor 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 ird.govt.nz/forms-guides

Deducting RLWT

To confirm if RLWT needs to be deducted, get a completed **Residential land withholding tax declaration - IR1101** from all offshore RLWT persons selling residential land in New Zealand within:

- 2 years of buying it when the property is sold on or after 1 July 2024.
- 5 years of buying it when the property is sold before 1 July 2024.

An IR1101 must be completed even if an exclusion applies and no RLWT will be deducted.

If the vendor does not 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.

Do not deduct RLWT if the vendor:

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

Note: There are exclusions for main homes, inherited property, and land transferred under a relationship property agreement.

Find out more about your obligations when deducting RLWT at ird.govt.nz/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 ird.govt.nz/tools-calculators

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 2 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 3 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 39%.

After you've deducted RLWT

You need to complete a **Residential land withholding tax return - IR1100** and pay the RLWT to us by the 20th of the month after the deductions were made, for example, 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 or only a deposit is paid

When the purchase price is being paid in instalments or only a deposit is paid, only 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 is not enough money to pay the RLWT

You still need to complete an IR1100 if there is not 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 do not complete 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 **ird.govt.nz/rlwt**

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