



**Inland Revenue**  
Te Tari Taake

**IR361**  
April 2025

# Tax and your property transactions





## Introduction

Property tax can be complex. The unique situation of each property transaction needs to be considered when working out any tax implication.

This guide explains:

- how different property taxing rules apply
- exclusions and how they apply.

Please talk to a tax advisor if your situation is not covered in this guide or you're unclear about anything.

### Note

**Property** means land (including a bare section) and buildings, options or interests in 'off-the-plan' properties.

**Purchase** means any form of acquisition of the property including transfers or gifts.

**Sale** means any form of disposal of the property including transfers or gifts.

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## What kind of property buyer are you?

Property investor is often used as a collective term for property speculators, dealers, and investors. However, they're each treated very differently under tax law. Even if you're not a property investor, a sale of residential property you own may be taxable.

In this guide we refer to **speculators, dealers, and investors**:

- **Speculator** – when a speculator buys a property with the intention to sell, the property is treated like trading stock. Any profit or loss from selling the property is taxable. Speculation can involve a one-off purchase or multiple property sales. Speculators may also earn income from the property before they sell it.
- **Dealer** – a dealer, also known as a trader and like a speculator, acquires properties for resale, with a key difference being the establishment of a regular pattern of buying and selling properties.
- **Investor** – an investor buys a property to generate continuous rental income without a definite plan or intention to resell it, the property is considered a capital asset. A profit or loss from selling the property is treated as capital and is not taxable (apart from depreciation recovered) unless the property is taxable under the bright-line test.

The rules may vary if you're associated with a person or entity involved in the business of building, dealing, developing, or subdividing land.

The property taxing rule that may apply is not determined by what the property is called or how the activity is described. For example, a property may be marketed as a rental investment with strong capital gain potential, but your intention or prior pattern may determine the tax treatment.

Only one of your intentions needs to be resale for you to be potentially classified as a speculator or dealer. For example, buying a property as an investment with a plan of holding it for now and selling it in a few years would likely put you into the speculator or dealer category. Simply renting out a property does not automatically exclude you from paying tax on the sale. Investors, dealers, and speculators may all rent out their properties from time to time.

## Property taxing rules overview

If you make a profit from the sale of a property, it may be taxed like any other income from carrying on a business or profit-making activity.

Your liability to pay tax on the profit from a property sale depends on:

- the purpose of purchase
- subsequent actions
- transaction structure
- who you are associated with.

There are some exclusions in the property taxing rules where you may not have to pay tax on the profit. Exclusions can be complex and require careful consideration. If you're not sure, we recommend you seek advice from a tax advisor.

## When a property is acquired

In a typical sale and purchase, a property is acquired when there is a binding sale and purchase agreement between the vendor and purchaser. This includes when the vendor accepts an offer with standard conditions still to be satisfied, such as obtaining finance or a building report. For tax purposes the property is acquired by the purchaser at the date the vendor accepts the offer, and not on a later date when those conditions are satisfied, or settlement occurs.

For more information about when a property is acquired and guidance on the rules, go to [taxtechnical.ird.govt.nz](https://taxtechnical.ird.govt.nz)

- **Question we've been asked (QB) 16/06:** Income Tax – Land acquired for a purpose or with an intention of disposal
- **Question we've been asked (QB) 17/02:** Date of acquisition of land and start date for 2-year bright-line test

## Property tax decision tool

Our property tax decision tool may help you work out if the property you are buying and selling is taxable under any of the property rules. Go to [ird.govt.nz/bright-line](https://ird.govt.nz/bright-line)

## Property taxing rules

## Exclusions





## Intention or purpose

### Intention or purpose rule

When a property has been acquired with the intention of resale, you may have to pay tax on any profit from the sale. An intention to sell does not need to be the main reason for buying the property - it could be 1 of several reasons.

Your intention when you first acquire a property determines your tax liability when you sell it. It does not matter how long you hold the property for, if the property was acquired for a purpose of, or with an intention of selling it, any gain made when it is sold will be taxable.

There must be a positive purpose or intention rather than a vague possibility the property will be sold, it is not enough the property could be sold or otherwise disposed of at some future date.

Intention usually does not apply to selling your main home, or if you bought a property as a long-term rental investment, then sell it later.

If you have not decided to sell all or part of the property when you acquire it, the intention rule does not apply. You may acquire the property with no particular purpose except for a general expectation it will be a good investment.

If your intention is to sell part of the property and keep the rest, you'll only be taxed on the part acquired to sell. You'll need satisfactory evidence to show how much of the property was not acquired for a purpose or intention of selling.

We review what your purpose or intention was when the property was acquired. We'll consider your explanations and look at your activities, including a history of buying and selling properties. For example, if you have bought and sold several properties over a period, or at regular intervals.

We'll also consider your statements to a bank manager or advisor when you bought the property, and any plans made or discussed at the time. For example:

- arrangements and discussions with your bank
- discussions with your real estate agent
- if you rent out the property, how long has it been rented
- any plans drawn up for the property
- notes made on council documents
- power and other utility arrangements you made
- your actual or planned involvement in the community, for example, attendance at schools, membership of clubs etc
- the terms of the financial arrangements
- is the property providing you with a living.

The actions you take before and after the purchase can also help to determine your intent.

If you have purchased land for private or investment purposes, we recommend you keep documentation to support your intention, such as correspondence with your lawyer, bank, and other advisors.

If you inherit property or receive a property as part of a relationship agreement, the previous owner's intentions for that property are transferred to you. This means, if they would have been liable to pay tax when they sold it, then you will be too. You do not have to pay tax when the property is transferred to you. However, you may need to pay tax when you sell it. For more information go to [ird.govt.nz/buying-and-selling-situations](http://ird.govt.nz/buying-and-selling-situations)

## Exclusions to intention or purpose

There are exclusions to intention or purpose. If an exclusion applies, the profit from a sale of a residential or non-residential property may not be taxable. For more information on exclusions go to:

- Residential exclusion page 24
- Business premises exclusion (non-residential land) page 26.

## Business purpose – dealing, developing, subdividing land, or building houses

### Who this applies to

If you, or an associated person acquire land for the purposes of business relating to:

- dealing in land
- developing land or subdividing land into lots
- building houses.

If you undertake several property transactions or complete work relating to dealing, developing, subdividing land, or building houses, then you may be carrying on a business. Any profits from selling residential or non-residential properties will be taxable.

### Dealing in land

Dealing in land means you have bought and sold multiple properties without materially changing the land characteristics. There needs to be a reasonable frequency of transactions and some continuity of effort to buy and sell property.

If the property is purchased as part of the business of dealing in land, any profit made when the property is sold will be taxable.

### Developing land or subdividing land into lots

Developing or dividing land means you've bought and sold property, made physical changes to the land for development, or divided it into separate lots for business purposes.

The business of developing or dividing land does not include the construction of houses.

If the property is purchased as part of the business developing or dividing land, any profit made when the property is sold will be taxable.

## Building houses

Your business must be involved in most aspects of building houses. You do not need to undertake the actual construction work yourself - engaging others to complete the work is sufficient to be considered in the business of building houses. However, being an employee of a building company and not doing the work independently does not qualify as being in the business of building houses.

If the property is purchased as part of the business of building houses, any profit made when the property is sold will be taxable.

## Carrying on a business

The number of transactions or the amount of work completed is not used to determine if you're carrying on a business. The following considerations are used to determine if you're in the business of property dealing, developing, or subdividing land or building houses:

- the nature of the activity and your intention
- the period you have engaged in the activity
- the scale of operations and the volume of transactions
- the commitments of time, money, and effort
- the pattern of activity
- the financial results.

If you are associated to someone in a property business, there are different categories depending on what work is undertaken, and in some cases how long the property was owned.

For more information about associated persons, go to page 22.

## Exclusions to business purpose

There are exclusions to business purpose. If an exclusion applies, the profit from a sale of a residential or non-residential property may not be taxable. For more information on exclusions go to:

- Residential exclusion page 24
- Business premises exclusion (non-residential land) page 26.

## Dealing in land – sale within 10 years

### Dealing in land means

You're in the business of buying and selling properties without materially altering their characteristics. There is a reasonable frequency of transactions and a consistent effort to buy and sell property.

Any profit made when the properties are sold will be taxable when:

- at the time you purchased a property you carried on a business of dealing in land or you were associated to someone who carried on a business of dealing in land, and
- the property was sold within 10 years of the date it was acquired.

This is regardless of whether the property was acquired for your business or your associate's business.

### Example

Trent started buying and selling residential houses in 2022. By the end of 2022, he had established a pattern of buying and selling and is a dealer for tax purposes.

Trent co-owns Jayton Rentals Limited, a company that buys residential rental investment properties. In January 2023 the company buys a rental property. In December 2025, rentals in the area are falling and the company sells the property.

Generally, Trent is not liable for Income tax on the profits from the sale of rental property, because the company bought it as an investment. However, because Jayton Rentals Limited is associated with Trent who was an established dealer before the property was bought, and it was sold within 10 years, Jayton Rentals Limited must pay tax on the sale regardless of the company's original intention to hold it as a rental investment.

For more information about associated persons, go to page 22.

## Exclusions to dealing in land

There are exclusions to dealing in land. If an exclusion applies, the profit from a sale of a residential or non-residential property may not be taxable. For more information on exclusions go to:

- Residential exclusion page 24
- Business premises exclusion (non-residential land) page 26.

## Developing or subdividing land – sale within 10 years

### Developing or subdividing land means

You're in the business of buying and selling property, making physical changes to the land for development, or subdividing into separate lots for business purposes. It does not include building houses.

Any profit made when the properties are sold will be taxable when:

- at the time you, or an associated person carried on a business of developing or subdividing land when the property was purchased, and
- the property was sold within 10 years of the date it was acquired.

This is regardless of whether the property was acquired for your business or your associate's business.

### Exclusions to developing or subdividing land

There are exclusions to developing or subdividing land. If an exclusion applies, the profit from a sale of a residential or non-residential property may not be taxable. For more information on exclusions go to:

- Residential exclusion page 24
- Business premises exclusion (non-residential land) page 26.

## Building houses – sale within 10 years of improvements

Being in the business of building houses requires you or your associated person's involvement in various aspects, even if you or your associated person do not personally perform the construction work. Engaging others to complete the work is enough to be considered in the business of building houses.

This is regardless of whether the property was acquired for your business or your associate's business.

Any profit made when the properties are sold will be taxable when:

- at the time you began the improvements you carried on a business of building houses, or you were associated to someone who carried on a business of building houses, and
- the property was sold within 10 years of the date of completing improvements to the land.

If you fit out an existing building you later sell, and you or a person you're associated with are in the business of building houses, any profit made will be taxable.

For more information go to [taxtechnical.ird.govt.nz](https://www.ird.govt.nz/taxtechnical) - **Question we've been asked (QB) 18/01**: Can a fit out of an existing building be 'improvements' for the purposes of CB11?

For more information about associated persons, go to page 22.

## Exclusions to building houses

There are exclusions to building houses. If an exclusion applies, the profit from a sale of a residential or non-residential property may not be taxable. For more information on exclusions go to:

- Residential exclusion page 24
- Business premises exclusion (non-residential land) page 26.

## When the 10-year rule does not apply to dealing, developing, subdividing land, or building houses

The 10-year rule does not apply in any of the following situations:

- The property is your main home and the residential exclusion applies
- You used the property in your business but not as a rental, and the business exclusion applies
- You're an employee of a property dealer, developer or builder, but not in business yourself
- You're no longer in the property business when you buy the property, or you bought it before you went into business.

## Development or subdivision scheme begun within 10 years

An undertaking or scheme is commonly considered a plan, design, or programme of action such as a project or enterprise. It does not need to be a business or trade venture.

The sale of a property may be taxable when:

- the undertaking or scheme involving the development of land, or subdividing land into lots is carried on, and
- you, or another person on your behalf, carries on the development or subdivision work on, or relating to the land, and
- the development or subdivision work was not minor, and
- the undertaking or scheme was commenced within 10 years of the date you acquired the land.

For more information go to [taxtechnical.ird.govt.nz](https://www.ird.govt.nz/taxtechnical)

- **Question we've been asked (QB) 15/04:** Income Tax – Whether it is possible that the disposal of land that is part of an undertaking or scheme involving development or division will not give rise to income, even if no exclusion applies
- **Interpretation Statement (IS 20/08):** Income Tax – When is development or division work 'minor'

## Exclusions to development or subdivision schemes

If an exclusion applies, the profit from a sale may not be taxable. For more information on exclusions go to:

- Residential exclusion – developing or subdividing residential land page 27
- Business exclusion – development, subdivision, or improvement for carrying on a business page 27
- Farmland exclusion page 27
- Investment exclusion page 27

## Major development or subdivision

The sale of property which is part of major development or subdivision where there is significant expenditure may be taxable. This applies when income from the development of land or subdivision into lots is from:

- carrying on any undertaking or scheme regardless of whether there is a venture of a business nature
- work involving significant expenditure on channelling, contouring, drainage, earthworks, kerbing, levelling, roading, or any other amenity, service or work customarily undertaken or provided in major projects developing land for commercial, industrial, or residential purposes
- the development or subdivision work has been carried out in relation to the land by you, or on your behalf.

You can claim a deduction for the value of the land at the time the undertaking or scheme commenced.

## When the major development or subdivision rule does not apply

This property taxing rule does not apply if you have already returned (or will return) the income under one of the following property rules:

- Intention or purpose page 9
- Business purpose – dealing, developing, subdividing land or building houses page 10
- Dealing in land – sale within 10 years page 12
- Developing or subdividing land – sale within 10 years page 13
- Building houses – sale within 10 years of improvements page 13
- Development or subdivision scheme begun within 10 years page 14
- Rezoning of land page 16
- Bright-line test for residential land page 21.

## Exclusions to major developments

If an exclusion applies, the profit from a sale may not be taxable. For more information on exclusions go to:

- Residential exclusion – developing or subdividing residential land page 27
- Business exclusion – development, subdivision, or improvement for carrying on a business page 27
- Farmland exclusion page 27
- Investment exclusion page 27.

For more information go to [taxtechnical.ird.govt.nz](http://taxtechnical.ird.govt.nz)

- **Question we've been asked (QB) 15/02:** Income Tax – Major development or division – what is 'significant expenditure' for section CB 13 purposes
- **Question we've been asked (QB) 15/04:** Income Tax – Whether it is possible that the disposal of land that is part of an undertaking or scheme involving development or division will not give rise to income, even if no exclusion applies
- **Interpretation Statement (IS 20/08):** Income Tax – When is development or division work 'minor'.

## Rezoning of land

The sale of property is taxable if the property is sold within 10 years of acquiring it for an amount more than the cost of the land, and at least 20% of the gain is due to any 1 or more of the following:

- the land was changed, or likely to be changed, under the Resource Management Act 1991 (RMA)
- any consent granted under the RMA, or the likelihood of any consent being made
- a decision of the Environment Court made under the RMA, or the likelihood of a decision being made
- the removal of any type of condition, covenant, designation, heritage order, obligation, prohibition, or restriction or the likelihood of the removal of any such restriction
- any change or occurrence of a similar nature to those referred to above or the likelihood of such a change or occurrence.



The time for determining whether any of these factors apply is when the property is sold. If the sale takes place more than 10 years after acquiring the land, any profit made will not be taxable.

If the sale is taxable, the total excess profit is taxable and not just the excess profit caused by the above factors.



If the property has been owned for less than 10 years, a proportionate deduction (based on the length of ownership) is allowed. The deduction is 10% of the profit for every 12 months from the date the land was acquired.

## When the rezoning of land rule does not apply

This property taxing rule does not apply if you have already returned (or will return) the income under one of the following property rules:

- Intention or purpose page 9
- Business purpose – dealing, developing, subdividing land or building houses page 10
- Dealing in land – sale within 10 years page 12
- Developing or subdividing land – sale within 10 years page 13
- Building houses – sale within 10 years of improvements page 13
- Development or subdivision schemes begun within 10 years page 14
- Bright-line test for residential land page 21.

## Exclusions to rezoning of land

If an exclusion applies, the profit from a sale may not be taxable. For more information on exclusions go to:

- Residential exclusion – rezoning profits from land sales page 27
- Farmland exclusion – rezoning profits from land sales page 27.

## Subdividing co-owned land

When co-owners subdivide land and keep a part each, each co-owner goes from owning a share in the whole of the undivided land to being the sole owner of the part of the land they receive. This is known as partitioning. While the share of the divided land you receive may match the share you held as co-owner, you are considered to have disposed of your share in the part you did not keep to the other co-owner.

For more information on co-ownership changes go to [taxtechnical.ird.govt.nz](https://www.ird.govt.nz/taxtechnical) and refer to **Interpretation Statement (IS 22/03)**: Application of the land sales rule to co-ownership changes and changes of trustees and the **(IS 22/03 Fact sheet)**: The land sale rules and changes to co-ownership.

## When a disposal is exempt income

The amount that you receive from disposing of land to another co-owner is exempt income if:

- the disposal occurs as part of a partition or subdivision of the land on or after 27 March 2021, and
- the value of the land you receive, out of the total value of the land still held by the co-owners, is 95% or more of your contribution to the cost of the undivided land as a proportion of the total cost.

Land held by co-owners includes land held alone, jointly or in common with another person. Your contribution to the cost of the land includes subdivision, development and building costs.

## When a disposal is partially exempt income

If the value of the land you receive, out of the total value of the land still held by the co-owners, is less than 95% of your contribution to the cost of the land as a proportion of the total cost, the amount of income that is exempt is calculated by the formula:

**Amount derived – (total land value x (acquisition proportion – end value proportion))**

**Amount derived** is the amount you receive from disposing of your interest in the land to another co-owner on a partition or subdivision.

**Total land value** is the total value of the land held by all persons who were co-owners at the end of the partition or subdivision. It includes land that the co-owner holds jointly with another person.

**Acquisition proportion** is your contribution to the cost of the land as a proportion of the total cost. It includes all costs to subdivide, develop, and build on the land.

**End value proportion** is the total value of the land you receive on the completion of the partition or subdivision out of the total land value. As above, it includes land that the co-owner holds jointly with another person.

### Example

Amy and Bill purchase land together (50:50 share) for \$1 million. They build 2 townhouses on the land at a cost of \$800,000:

- Amy contributes \$420,000 (townhouse is slightly larger)
- Bill contributes \$380,000
- Total cost is \$1 million (land) + \$800,000 (build) = \$ **1.8 million**

The land is subdivided, and each receives a townhouse:

- Amy's townhouse is valued at \$1.1 million
- Bill's townhouse is valued at \$1 million
- Total land value is \$**2.1 million**

Amy's share of the total land value:

- Amy's share is \$1.1 million / \$2.1 million = **52.38%**

Amy's contribution to the land and building costs:

- Amy's total contribution is \$500,000 (land) + \$420,000 (build) = \$**920,000**
- Amy's proportion of the cost is \$920,000 / \$1.8 million = **51.11%**
- 95% of Amy's proportion of the cost is 95% x 51.11% = **48.56%**

The proportion of the value of land Amy receives (52.38%) is more than 95% of her proportion of the cost (48.56%). Any income Amy derives from disposing of land to Bill is exempt income.

Bill's share of the total land value:

- Bill's share is \$1 million / \$2.1 million = **47.62%**

Bill's contribution to the land and building costs:

- Bill's total contribution is \$500,000 (land) + \$380,000 (build) = **\$880,000**
- Bill's proportion of the cost is \$880,000 / \$1.8 million = **48.89%**
- 95% of Bill's proportion of the cost is 95% x 48.89% = **46.44%**

The proportion of the value of land Bill receives (47.62%) is more than 95% of his proportion of the cost (46.44%). Any income Bill derives from disposing of land to Amy is exempt income.

For more information and examples go to [taxtechnical.ird.govt.nz](https://taxtechnical.ird.govt.nz) - **Tax Information Bulletin (TIB), Vol 36, No 4 (May 2024)** pages 96 to 100.

## Acquisition date for partitioned land

When land is partitioned on or after 27 March 2021 and the end value of the land you receive, out of the total value of the land still held by the co-owners, is 105% or less of your contribution to the cost of the undivided land as a proportion of total cost, you are treated as acquiring the land on the earlier of:

- the date you acquired your interest in the undivided land, or
- the date you are treated as acquiring your interest in the undivided land if it was transferred to you by an associated person.

Land held by co-owners includes land held alone, jointly or in common with another person. Your contribution to the cost of the land includes subdivision, development and building costs

If the end value is more than 105%, you are treated as acquiring the additional land and the original land on different dates.

You can calculate the proportion of additional land with the formula:

**(End value proportion – acquisition proportion) ÷ end value proportion**

The original land is the proportion of land remaining after you have calculated the additional land.

You are treated as acquiring the additional land on the date you became entitled to it or, if the additional land is acquired from an associated person, the date the associated person is treated as acquiring it.

You are treated as acquiring the original land on the earlier of:

- the date you acquired your interest in the undivided land, or
- the date you are treated as acquiring your interest in the undivided land if it was transferred to you by an associated person.

### Example

Everly and Daniel purchase land together (50:50 share) on 5 February 2025 for \$1 million. They subdivide the land and build a house on each lot, each contributing \$500,000 towards the \$1 million development costs. The subdivision is completed and separate titles issued on 15 June 2026, with Everly and Daniel receiving a lot each.

The new title values:

- Everly's lot is valued at \$1 million
- Daniel's lot is valued at \$1.5 million
- Total land value is **\$2.5 million**

#### Everly's calculation

Everly's share of the total land value:

- Everly's share is \$1 million / \$2.5 million = **40%**

Everly's contribution to the land and development costs:

- Everly's total contribution is \$500,000 (land) + \$500,000 (build) = **\$1 million**
- Everly's proportion of the cost is \$1 million / \$2 million = **50%**
- 105% of Everly's proportion of the cost is  $105\% \times 50\% = 52.57\%$

The proportion of the value of land Everly receives (40%) is less than 105% of her proportion of the cost (52.57%). Everly is treated as acquiring all the land on **5 February 2025**.

#### Daniel's calculation

Daniel's share of the total land value:

- Daniel's share is \$1.5 million / \$2.5 million = **60%**

Daniel's contribution to the land and development costs:

- Daniel's total contribution is \$500,000 (land) + \$500,000 (build) = **\$1 million**
- Daniel's proportion of the cost is \$1 million / \$2 million = **50%**
- 105% of Daniel's proportion of the cost is  $105\% \times 50\% = 52.57\%$

The proportion of the value of land Daniel receives (60%) is more than 105% of his proportion of the cost (52.57%). Daniel's additional land and original land will be treated as having different acquisition dates. The additional land is calculated with the formula:

$$(\text{End value proportion} - \text{acquisition proportion}) \div \text{end value proportion} \\ (0.6 - 0.5) \div 0.6 = 16.67\%$$

Daniel is treated as acquiring the additional land (16.67%) on **15 June 2026** and the original land (83.33%) on **5 February 2025**.

## Bright-line test for residential land

Under the bright-line test, any profit on the sale of residential land may be taxable if it is sold within a set period of time (the bright-line period). This also applies to New Zealand tax residents who sell residential land overseas.

For residential land sold on or after 1 July 2024, the bright-line test looks at whether your bright-line end date (usually the date you entered into a binding sale and purchase agreement to sell) is within 2 years of your bright-line start date (usually the date the property's title is transferred to you).

For residential land sold before 1 July 2024, your profit may be taxable if it was acquired on or after 29 March 2018 and is sold within 5 years.

### When the bright-line test does not apply

This bright-line test does not apply if you have already returned (or will return) the income under one of the following property rules:

- Intention or purpose page 9
- Business purpose – dealing, developing, subdividing land or building houses page 10
- Dealing in land – sale within 10 years page 12
- Developing or subdividing land – sale within 10 years page 13
- Building houses – sale within 10 years of improvements page 13
- Development or subdivision schemes begun within 10 years page 14.

### Bright-line test exclusions and rollover relief

There are several exclusions from the bright-line test. Rollover relief may also apply to certain types of ownership transfers.

For more information read our guides **Bright-line property tax – IR1229** for property sold from 1 July 2024 and **Bright-line property tax – IR1227** for property sold before 1 July 2024.

## Associated persons

If you have an association with people in certain property-related industries, this can affect the tax implications of your property transactions. This is even if you're not personally or directly involved in the business of property dealing, developing, subdividing land, or building houses.

There are several tests used to work out if 2 persons are associated for land transactions. These association rules for land transactions can differ from other taxing provisions.

Under the simplified rules, you are associated with:

- your spouse, civil union, de facto partner, and children under the age of 20
- a company in which you hold 25% or more voting interest (company and individual test)
- a company your spouse or children hold 25% or more voting interest in (the aggregation rule)
- a look through company (LTC) in which you hold 25% or more voting interest
- 2 companies when a group of persons total voting interests in each company are 50% or more or who control both companies by any other means
- a partnership if you're a partner
- a limited partnership in which you hold 25% or more partnership share

If you're a trustee you're associated with:

- any settlor of the trust (and vice versa)
- a trustee of another trust where the trusts have a common settlor
- a person with power to appoint or remove a trustee.

### Tripartite test

The 'tripartite' test usually means if person A is associated with person B, and B with C, person A is also associated with person C. There are exceptions in relation to the company tests. We recommend discussing this with a tax advisor.

For more information on how degrees of association are determined in family situations go to:

- [ird.govt.nz/forms-guides](https://ird.govt.nz/forms-guides) - **A guide to associated persons definitions for income tax purposes – IR620**
- [taxtechnical.ird.govt.nz](https://taxtechnical.ird.govt.nz) - **Tax Information Bulletin (TIB) Part II, Vol 21, No 8 (October/November 2009)** page 75.

## Transactions between associated persons

Special tax rules apply when a transfer of property occurs between associated persons.

There is no time frame for how long the person holds the property. The profit made on a sale may be taxable to the person who receives the property if:

- a property sale would have been taxable under any of the property taxing rules, other than the bright-line test, to the original purchaser
- the original purchaser transfers the property to an associated person at more than the cost
- the person who receives the property for more than what they purchased it for.

### Example

Property developer Mel purchases a bare section for her development business. The property is transferred 3 years later to Mel's husband, Maurice. Any profit made on this property is taxable as it was part of Mel's development business.

A year later, Maurice builds a house on the property, and they move in.

Maurice sells the property after 4 years and makes a profit. The profit on the sale is taxable because:

- the property was bought from Mel who is an associated person
- Mel's development business would have been taxed on the sale of the property if it had not been transferred to Maurice
- Maurice sold the property for more than the price it was transferred at from Mel's development business
- none of the exclusions apply such as the residential exclusion even though Maurice lived in the property, as this does not apply to Mel's property development business.

Maurice's intentions of what he was going to do with the property, or how long he held the property are not relevant.

Maurice can claim expenses relating to any capital improvements made to the property.

For more information go to [taxtechnical.ird.govt.nz](https://www.ird.govt.nz/taxtechnical) - **Tax Information Bulletin (TIB) Vol 31, No 4 (May 2019)** page 138.

## Property taxing rule exclusions

This table shows exclusions that might apply to the property taxing rule categories. Some transactions may also have GST implications, this is covered later in this guide.

Property taxing rule categories	Whether exclusions may apply			
	Residential or main home	Business premises	Farmland	Investment land
Speculation – intention or purpose	✓	✓		
Business purpose	✓	✓		
Associated persons and 10 years	✓	✓		
Development commenced within 10 years	✓	✓	✓	✓
Major development	✓	✓	✓	✓
Rezoning of land	✓		✓	
Bright-line test for residential land	✓	✓	✓	

## Residential exclusion

Buying and selling your family home usually has no tax consequences if it meets the residential exclusion.



The profit from a property sale may not be taxable if:

- you acquired the land with a house on it, or you built a house on the land
- the house was lived in by you and your family mainly as your residence or if you're a trustee of a trust, 1 or more trust beneficiaries lived in the house and used it mainly as a residence
- the property is more than 4,500m<sup>2</sup>, the land has been used for the reasonable occupation and enjoyment of the house
- you have no regular pattern of buying and selling as an individual or part of a group.

Incidental occupation or residing in the property for a short period of time may not be enough for the house to be mainly considered as your residence.

## When the residential exclusion does not apply

The residential exclusion does not apply if you (alone or with a group or persons) have a regular pattern of buying or building and selling houses. If the purpose or intention is to resell, this may be considered as property dealing or speculation for tax purposes. The sale of the property will be taxable, and you will need to pay income tax on any profit made.

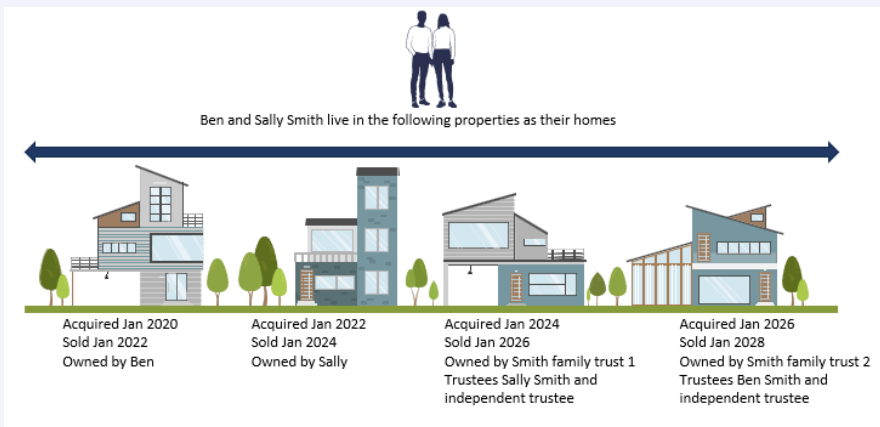


A group of persons are treated together if:

- all the people occupy all the properties together as their residence, and
- where a property is owned by a trustee or other entity, at least 1 of the people who occupies all the properties has significant involvement in, or control of, the trust or other entity.

This prevents groups of people structuring regular patterns by using different people or entities to carry out separate transactions, or by varying what is done to the land in each transaction so that there is no pattern. For example, where a first property is bought, lived in, and sold, the second is renovated while lived in and sold, or the third is a bare section where a house is built and occupied then sold.

### Example



### Ownership information

- Ben Smith bought property 1 in January 2020 and sold it in January 2022
- Sally Smith bought property 2 in January 2022 and sold it in January 2024
- Smith Family Trust bought property 3 in January 2024 and sold it in January 2026
- Smith Family Trust 2 bought property 4 in January 2026 and sold it in January 2028.

Ben and Sally Smith lived in all the properties together as their residence and have significant involvement or control of the trusts that own 2 of the properties (Ben, Sally, Smith family trust 1 and Smith family trust 2). They will be treated as a group of persons who undertake buying and selling activities together.

Because all the properties were acquired with an intention of resale and the group have formed a regular pattern of buying and selling properties at regular intervals, they will not be entitled to the residential exclusion.

Determining a regular pattern can be complex. If you have bought and sold several properties, we recommend seeking advice from a tax advisor.

For more information go to [taxtechnical.ird.govt.nz](https://www.ird.govt.nz/taxtechnical)

- **Tax Information Bulletin (TIB) Vol 33, No 6 (July 2021)** page 22
- **Question we've been asked (QB) 16/07:** Income tax – Land sales rules, main home and residential exclusions, regular pattern of acquiring and disposing, or building and disposing

## Business premises exclusion

The business exclusion applies to buying a property:

- with an intention or purpose to sell it
- if it is part of a property business
- if you're associated to a property business.



The business exclusion will apply if:

- you substantially carried on your business on the property acquired (either with an existing building, or one you built)
- there is no regular pattern of buying and selling as an individual or part of a group.

Property includes land reserved with the premises, for use in carrying on the business and is an area no greater than required for the reasonable occupation of the premises.

## When the business premises exclusion does not apply

The business premises exclusion does not apply if you alone or with a group or persons have a regular pattern of either buying and selling or building and selling premises for business. This means you will need to pay income tax on any profit made.

A group of persons will be treated as undertaking buying and selling activities together where:

- all persons in the group occupy the premises mainly to carry on a substantial business, irrespective of the nature of any business carried on, and
- a person, whether or not they also occupy land as a business premises, has significant involvement in, or control of, the activities of all those in the group.

For more information go to [taxtechnical.ird.govt.nz](https://www.ird.govt.nz/taxtechnical)

- **Tax Information Bulletin (TIB) Vol 33, No 6 (July 2021)** page 22
- **Question we've been asked (QB) 19/14:** Income tax – When does the business premises exclusion in s CB 19 apply to preclude land sales from being taxed under ss CB 6 to CB 11?

## Residential exclusion – developing or subdividing residential land

A property sale will not be taxed if the development, subdivision, or improvement is for residential land, and it is:

- part of a larger area of residential land you subdivide into 2 or more lots, and at the time of subdivision, the larger area of land was 4,500 square meters or less
- used by you and your family for the purpose of residing on the land.

## Business exclusion – development, subdivision, or improvement for carrying on a business

A property sale will not be taxed if:

- the undertaking or scheme is a development, division, or improvement for use in, and purpose of carrying on your business on the land, and
- your business does not consist of the undertaking or scheme.

## Farmland exclusion

A property sale will not be taxed if the farmland exclusion applies:



- the land is a lot from the subdivision of a larger area into 2 or more lots, and
- immediately before the land was subdivided, the larger area of land was occupied or used by you or your spouse, civil union partner or de facto partner, or both of you, mainly for the purposes of a farming or agricultural business, and
- the land sold is capable of being worked as an economic unit as a farming or agricultural business (it does not include leased land), and
- the land was sold mainly for the purpose of a farming or agricultural business.

## Investment exclusion

A property will not be taxed if the investment exclusion applies:

- the work undertaken is for a development, division, or improvement, and
- the purpose is for deriving rental income.



## Residential exclusion – rezoning profits from land sales

A property will not be taxed if the residential exclusion for rezoning land applies. This exclusion applies if:

- you purchased the property and used it, or intended to use it for you and your family to live in, and
- you sold the property to another person who acquired it for residential purposes.

## Farmland exclusion – rezoning profits from land sales

A property will not be taxed if the farmland exclusion for rezoning land applies. This exclusion will apply if:

- you acquired the land, and your spouse, civil union partner or de facto partner, or both of you used or intended to use the land mainly for the purposes of farming or agricultural business, and
- you sold the land to another person mainly for the continuing use of the land for farming or agricultural business.

## Claiming a loss from property dealing or speculation

If you're a property speculator or dealer and you make a loss on a property you bought as part of your activity, with an intention to resell, the loss is likely to be tax deductible. You'll need to consider other general rules covering the deductibility of expenses or losses. You can only claim the loss on a property when you sell it.

When we are considering claims for losses, we review all your past property transactions to see how the profits or losses were treated for tax purposes.

You need to keep all your records to show you were a property dealer or speculator as these may be requested to support the claiming of any losses.

## Forfeited deposits from cancelled property sales

If you receive a deposit from an agreement to sell a property, but the sale does not go ahead due to the buyer defaulting, the deposit may be forfeited (you get to keep it).

A forfeited deposit will be income if any of the following apply:

- the property was part of an ordinary business, and the sale would have been taxable
- the property was from a profit-making scheme
- the profit from the sale of the property would have been taxable under any of the property taxing rules, for example the bright-line test.

The forfeited income will need to be included in your income tax return. You can deduct expenses relating to the cancelled agreement, such as agent commissions, legal and marketing fees.

### Example

Katco Limited is a property developer and purchased a bare section on 8 April 2021 and constructed a house.

On 11 January 2022 Katco Limited entered into an unconditional contract to sell the property to Nancy for \$1,000,000. Nancy paid a \$100,000 deposit and the balance was due on 10 March 2022.

Nancy ran into financial difficulty and could not pay the balance of the purchase price on the due date. Katco Limited cancelled the agreement and retained the forfeited deposit.

The forfeited deposit of \$100,000 is business income to Katco Limited as the sale of the property was part of their ordinary business operation.

Katco Limited can claim a deduction for the expenses relating to the cancelled agreement.

For more information go to [taxtechnical.ird.govt.nz - Question we've been asked \(QB\) 23/09: Income tax - Forfeited deposits from cancelled land sale agreements](https://www.ird.govt.nz/question-weve-been-asked/qb-23/09)

## Changing from property investment to property speculation or dealing

Changing from a rental property investment to property speculation or dealing can affect depreciation on your properties. Rental investors can claim annual depreciation on chattels, but speculators and dealers who hold property as trading stock cannot claim depreciation as the properties have been purchased to sell.

### Depreciation on non-residential buildings

From 2012 income year depreciation was removed for rental property buildings with an estimated useful life of 50 years or more.

From the 2021 income year depreciation on non-residential buildings was reintroduced.

You must include any depreciation you've claimed as taxable income when you sell your property.

If you've claimed building depreciation for a non-residential property and you sell it for more than the depreciated (book) value, you'll probably have to repay most (or all) of the amount claimed. This depreciation recovery is taxable income.

If you sell the property for less than you paid for it, you may only have to declare a portion of the depreciation you've claimed as income.

For more information about depreciation, go to [ird.govt.nz/depreciation](https://www.ird.govt.nz/depreciation)  
[ird.govt.nz/forms-guides](https://www.ird.govt.nz/forms-guides)

- **Rental income – IR264**
- **Depreciation – IR260**

## Changing from property speculating or dealing to property investment

Properties you acquire as a dealer, builder or developer are treated as trading stock (revenue account) and they are taxable when you sell them. This is regardless of any change in your status from speculating or dealing to property investment. For example, if you buy a rental property when you're a dealer but decide to hold it and rent it during a market downturn (investment), any later gain on the sale will still be taxable, even if you're no longer a dealer.

When property held on revenue account is transferred to capital account, the transfer is a deemed transaction at market value.

Any increase in the value of property between the date of the original acquisition and the date when the property is deemed to be transferred from capital account to revenue account is not taxable. This also applies to any increase or decrease in value between the date the property is deemed to be transferred from revenue account to capital account and the date when it is disposed, is not taxable.

## Living in a property owned by your company, trust, or partnership

You can acquire a property or transfer a family home using a limited liability company, look-through company (LTC), trust, partnership, or limited partnership. These are all valid structures. However, we may consider some arrangements have been entered into to avoid tax.

Expenses such as interest, insurance, rates and maintenance in relation to your family home, whether owned by you, a company or LTC you're a shareholder for, a trust in which you're a beneficiary or a partnership you're a partner in, are not deductible.

We've used a LTC as an example in this section, but the following information applies to all of these structures.

### Living temporarily in a property owned by your LTC

You may have moved into a property previously rented to tenants, owned by your LTC. This may be because of:

- inability to find tenants
- relationship breakdown
- relationships formed with tenants
- renovating or building your own home.

If you're a shareholder in a property you live in, generally you cannot claim private expenses for the property.

### Living with your tenants in a property owned by your LTC

If you're living in a property along with tenants, your shareholder/owner's proportion of the expenses is generally not deductible.

## Asset protection

Sometimes the reason for holding a personal residence in a limited liability company is for asset protection rather than to minimise tax.

To make use of LTC losses, you must hold the shares in your own name. The market value of the shares of an LTC company owning residential investment property is equal to the market value of the property and represents an asset to the shareholder, less the mortgage. A creditor claim equal to the current value of the property is possible.

If you're moving into your LTC owned property over the long-term, you should think about taking the home out of your LTC. If you're moving into an LTC owned property on a temporary basis, do not claim a deduction for private expenses for the period you're in the home.

We recommend you seek advice from a tax advisor with expertise in this area if you're considering any of the above arrangements.

## Income and deductions

The income year for returning the profit from a property sale is usually determined by the date of settlement.

If you sell a property where the profit is taxable, you can claim a deduction for expenses.

### Property costs and evidence

Property costs include:

- the purchase price paid when you acquired the property
- expenses related to the acquisition, for example lawyers, valuers, surveyors and real estate agent fees
- any capital improvements to the property made after acquisition, such as renovations
- expenses related to the property disposal, for example lawyers, real estate agent fees.

Examples of evidence to a claim for a deduction for the cost of the property include:

- signed copies of the sale and purchase agreements for the property purchase and sale of the property
- settlement statements issued for both the purchase and the sale of the property
- other costs incurred on the purchase and on sale, for example invoices for lawyers, valuers, surveyors or real estate agent fees
- documents supporting capital improvements to the property made after acquisition such as renovations (for example fees for resource consents, architects and engineers, invoices for labour and building materials).

## Holding costs

You may incur costs related to holding the property during the period you owned it. These costs are expenses relating to the ownership of land, such as interest, rates, property insurance, repairs and maintenance, and body corporate levies (provided they are revenue expenses). Holding costs do not include capital improvement costs.

Repairs and maintenance and body corporate levies can be deducted in some circumstances if they are revenue expenses.

For more information see the **Interpretation Statement (IS 12/03):** Income Tax – Deductibility of repairs and maintenance expenditure – General principles.

For more information on holding costs for land, go to [taxtechnical.ird.govt.nz](http://taxtechnical.ird.govt.nz) and refer to **Interpretation Statement (IS 23/10):** Deductibility of holding costs for land and the **(IS 23/10 Fact sheet):** Deductibility of holding costs for land.

For additional information on deductions for rental properties go to [ird.govt.nz/forms-guides](http://ird.govt.nz/forms-guides) **Rental income – IR264.**

We have a calculator to help you work out the net profit or loss on a taxable property sale. Go to [ird.govt.nz/property-income-tax](http://ird.govt.nz/property-income-tax)

## Goods and services tax (GST)

### Registering for GST

If you are, or intend to be in the business of buying, selling, developing, or building residential or commercial properties, you may need to register for GST.

You may also need to register for GST if you have a pattern of buying or selling residential properties, or undertaking a subdivision project where the activity is carried on continuously or regularly.

This may depend on the:

- number of properties purchased and sold
- time and effort involved
- level of financial investment.

You must register for GST if your annual turnover (sales from taxable activities):

- was over \$60,000 for the last 12 months, or
- is expected to go over \$60,000 for the next 12 months.

### Taxable activity

A business must have a taxable activity to register for GST. A taxable activity is an activity that is carried on continuously or regularly and involves or is intended to involve the supply of goods or services to another person for consideration. If you have a taxable activity, you can voluntarily register for GST if your turnover is less than \$60,000.



For information about when a subdivision project is a taxable activity, go to [taxtechnical.ird.govt.nz](http://taxtechnical.ird.govt.nz)

- **Question we've been asked (QB) 24/04:** When is a subdivision project a taxable activity for GST purposes?
- **Question we've been asked (QB) 24/04 Fact Sheet:** When is a subdivision project a taxable activity for GST purposes?

If you're not sure if you need to register for GST, we recommend you seek advice from a tax advisor.

For more information go to [ird.govt.nz/forms-guides](http://ird.govt.nz/forms-guides)

- **GST – do you need to register? – IR365**
- **GST guide – IR375**

## GST on property purchases

- **Buying residential rental properties to rent** - If you're an investor you cannot claim GST on the purchase of the property because long-term renting of residential accommodation is a GST exempt activity.
- **Buying residential rental properties to trade** - If you buy residential rental property as a dealer or speculator, you may be able to claim GST if the seller is not GST registered or if they are registered, the transaction is not part of their taxable activity (for example the vendor has a plumbing business, but they are selling their private home). You cannot claim GST if the sale is zero-rated.

## GST on property sales

If you claim a GST credit when you buy a property, you'll probably need to include GST in the sale price when you sell the property, unless the sale is zero-rated.

## Compulsory zero-rating of land rules

The compulsory zero-rating of land rules treats certain sales between GST registered persons as zero-rated.

When a land sale occurs between 2 GST registered persons, the sale may be zero-rated. This means the vendor (seller) does not charge GST on the sale and the purchaser does not pay any GST.

Under the compulsory zero-rating land rules, if you're GST registered, you must charge GST at the rate of 0% when:

- you sell land to a purchaser who is GST registered
- the sale of the land is part of your taxable activity
- the purchaser intends using the land for the purpose of making taxable supplies
- the purchaser (or a relative of the purchaser) does not intend using the land (or any part of it) as their principal place of residence.

## Agreement for sale and purchase

Whether you're the vendor selling the land or the purchaser buying it, you need to make sure the **Agreement for sale and purchase of real estate** is completed with the correct information. This can prevent issues such as denied secondhand goods claims and incorrect zero-rating and makes sure both the vendor and purchaser are aware of any GST tax implications.

### Vendor requirements

You must confirm if you are GST registered (or will be at the date of settlement), **and** the land transaction is in relation to your taxable activity. This is on page 1 of the ADLS / Law Association agreement form:

The vendor is registered under the GST Act in respect of the transaction and/or will be so registered at settlement: Yes/No  
If "Yes", Schedule 1 must be completed by the parties.

If you answer yes, you must also complete **Schedule 1 (GST information) - Section 1 Vendor**, with all the relevant information relating to the sale (1a and 1b).

You do not need to complete schedule 1 if your answer is no because you're:

- GST registered but the land is not in relation to your taxable activity, or
- not GST registered and do not intend to register prior to settlement.

### Payment of purchase price

Whether you are the vendor or the purchaser, you need to make sure the purchase price is correctly recorded in the agreement This is on page 1 of the ADLS / Law Association agreement form. Delete whichever option does not apply:

- **Plus GST** (if any), or
- **Inclusive of GST** (if any).

If neither option is deleted, the purchase price includes GST (if any).

### Purchaser requirements

In addition to your purchaser details on page 1 of the ADLS / Law Association agreement form, if the vendor has indicated **yes**, they are or will be registered for GST at the date of settlement, and the land transaction is in relation to their taxable activity:

The vendor is registered under the GST Act in respect of the transaction and/or will be so registered at settlement: **Yes**/No  
If "Yes", Schedule 1 must be completed by the parties.

- you are required to notify the vendor if you're registered for GST, or intend to register, on or before the date of settlement
- you must complete the purchaser details in **Schedule 1 (GST information)**, **section 2 Purchaser**, and **section 3 Nominee**, if you're intending to direct the vendor to transfer title to another party.

For more information go to:

- [taxtechnical.ird.govt.nz](https://www.taxtechnical.ird.govt.nz) and refer to the **Interpretation Statement (IS 17/08): Goods and Services tax – Compulsory zero-rating of land rules (General Application)**.
- [ird.govt.nz/forms-guides](https://www.ird.govt.nz/forms-guides) – **Land sales and GST – IR730**
- [ird.govt.nz/gst-property](https://www.ird.govt.nz/gst-property)

## Renting property while developing or selling

If you buy a property for the purpose of making taxable supplies (property dealing, speculation, development, or commercial rents) and use it for another purpose, such as residential rental, you may need to make a GST adjustment to the amount of GST you claimed when the property was purchased.

### Example – taxable activity delayed commencement

Katrina registers for GST and purchases a property from a non-GST registered seller. GST is claimed on the purchase as Katrina's intention is to demolish the existing house and build 5 townhouses.

When time allows, Katrina works on planning the project and realises it will take some time and effort to finalise and arrange consents. Katrina decides to rent out the house for 12 months.

Residential rental income is an exempt supply for GST. This means Katrina should not have registered for GST when she purchased the property, and the GST claimed will need to be repaid.

After about 6 months Katrina steps up the amount of work required to get the property development underway. Katrina engages surveyors and architects to draw up plans, arranges finance, and begins applying for resource consents.

Katrina can register for GST now that the taxable activity (the development) work is being carried on continuously or regularly. Katrina can claim GST for the cost of the property under the GST adjustment rules.

### Example – taxable activity commenced immediately

Jen registers for GST and purchases a property from a non-GST registered seller. Jen claims GST on the purchase as their intention is to demolish the existing house and build 4 townhouses. Jen immediately starts the work required to develop the land. This will take about 6 months. Jen rents out the house for some income during this time.

Jen worked continuously over this 6-month period on the development, paying for surveyors and architects to draw up plans, arranges finance, and begin the process of applying for resource consents.

Jen is considered to have started the taxable activity of property development when the land was purchased, as the work began immediately, and it has been carried out continuously and/or regularly.

Jen will need to apportion expenses between taxable and non-taxable activities as the residential rental income is an exempt supply for GST and the property development is a taxable supply for GST.

For more information go to **Tax Information Bulletin (TIB), Vol 23, No 1 (February 2011)** page 38.

### GST on apartment purchases and sales, including properties used for Airbnb

If you own an apartment being used for short stay accommodation (for example less than 4 weeks) the rental income may be taxable supplies for GST purposes.

Many apartments are sold as 'going concerns' with management leases and guaranteed rental arrangements in place at the time of purchase. No GST is paid or can be claimed on a property sold as a going concern, provided certain conditions are met, for example both parties are GST-registered, and the management leases and rental arrangements remain in place. The transaction is zero-rated for GST. However, the future sale may be subject to GST unless it too is zero-rated as a going concern.

### Zero-rating

Buying an apartment that's been zero-rated for GST may seem like a good idea because you do not have to pay GST on the purchase price. There's no hassle with tenants because the management company takes care of renting the apartment, and you may also have a guaranteed source of income. There are conditions attached to this type of transaction. You need to know what they are, or you might get an unexpected GST bill.

If you sell your apartment with the original or an appropriate replacement management agreement still in place, to a buyer who is also registered for GST, your apartment may still be a going concern. In this case you probably will not have to pay GST on the sale.

## Changing the property's use

If you change the apartment use, you may have to pay GST, for example:

- if you or a member of your family move into the apartment
- if you rent it for long term residential rental.

You may also have to pay GST when you sell your apartment if the original management agreement has expired, and you have not negotiated another lease with them.

For more information about tax on zero-rated apartments go to [ird.govt.nz/forms-guides](https://ird.govt.nz/forms-guides) - **Thinking of selling your leased apartment? - IR498**

## Backdating GST registration when you acquire a property

GST registrations fall under 2 categories, required and voluntary.

### Required registration

If your taxable supplies are expected to go over the \$60,000 threshold, you're required to register for GST. Your GST registration start date is when you first became liable to register. This may mean your registration has to be backdated.

#### Example – required backdated registration

The Harris family trust purchased a commercial property that included a lease of \$60,000 per annum plus GST. The trust confirmed with the GST registered seller they were going to register for GST by the settlement date.

Settlement for the property took place on the 15 October 2023 and the transaction was zero-rated on the basis the Harris Family Trust was registered for GST.

The GST application was overlooked. This was discovered when the trust went to file the first GST return 2 months later.

As the trust was required to be registered for GST due to the lease, the backdated registration of 15 October 2023 was approved.

### Voluntary registration

If you have a taxable activity, you can voluntarily register for GST if your turnover (the value of your taxable supplies) is less \$60,000. Your GST start date is usually the date you apply to register for GST.

If you request the registration to be backdated, we may ask you to provide copies of taxable supply information charging GST, bank statements, or other documents for us to consider approving a backdated GST registration.

### Example – request to backdate GST registration declined

Shreeford Limited purchased a residential property on 15 March 2022 (settlement date). They rented the property from 1 April 2022 to a residential tenant. Shreeford Limited was not registered for GST and did not need to be as residential rental income is an exempt supply for GST.

Shreeford Limited started to explore opportunities to subdivide and develop the property. They engaged property experts, council, planners, designers, and architects. Their plan was to demolish the original house on the property and build 5 townhouses to sell. They estimated the project would take up to 3 years to complete, with the first sales likely to be June 2024.

Shreeford Limited applied to register for GST on 1 February 2023, with a backdated GST start date of 15 March 2022.

The application to backdate the GST registration was declined for several reasons including:

- Shreeford had no taxable activity when the property was purchased in March 2022
- no taxable supplies were made, or expected to be made exceeding the 12-month \$60,000 threshold between the purchase date and the date they applied to register.

The GST registration start date is the date they applied – 1 February 2023.

Under exceptional circumstances Inland Revenue can back date a voluntary application. For more information go to [taxtechnical.ird.govt.nz](https://www.ird.govt.nz/taxtechnical) and refer to **Standard Practice Statement (SPS) 18/03: Effective date of GST registrations**.

## Record keeping

You need to keep all your records for at least 7 years. You do not need to send your records or working papers with your income tax return, but you must keep them in case we want to see them.

You must keep records to be able to calculate the income and expenses. These include:

- invoices and receipts
- bank statements
- working papers for all calculations
- a list of assets including cost price and purchase date
- a copy of any loan mortgage agreement.

If you want to claim the main home exclusion, you must have records to support the claim for each year in the bright-line period.

Records must be in English or Māori, unless we've given you written authority to keep them in another language.

For more information go to [ird.govt.nz/forms-guides](https://www.ird.govt.nz/forms-guides)

- **Record keeping – Getting it right – IR955**
- **Record keeping – checklist – IR1008.**

## Publications

These publications contain useful information. You can get copies of our forms and guides at [ird.govt.nz/forms-guides](https://ird.govt.nz/forms-guides) or go to [taxtechnical.ird.govt.nz](https://taxtechnical.ird.govt.nz) for **Tax Information Bulletins, Standard Practice Statements, Questions we've been asked and Interpretation Statements.**

### Forms and guides:

#### **Associated persons definitions for income tax purposes - IR620**

Work out if someone is associated to you

#### **Penalties and interest - IR240**

Understand the different types of penalties and interest we may charge if you do not file or pay on time and how to reduce or avoid them

#### **Rental income - IR264**

Explains the tax rules for people who rent out residential property and holiday homes

#### **Provisional tax guide - IR289**

About provisional tax and when it must be paid

#### **Record Keeping – IR955 and IR1008**

Explains recording keeping requirements

#### **Depreciation – a guide for business - IR260**

How to claim depreciation on your business assets

#### **Thinking of selling your leased apartment – IR498**

GST implications for an investment apartment with a managed lease

#### **Land sales and GST – IR730**

Flowchart provides an overview of the GST rules for land transactions

#### **GST - do you need to register? - IR365**

Work out if you need to register

#### **GST guide - IR375**

A detailed guide for all individuals, businesses and organisations charging GST

#### **Bright-line property tax – IR1227**

Explains the bright-line test for property sold or disposed of before 1 July 2024

#### **Bright-line property tax – IR1229**

Explains the bright-line test for property sold or disposed of from 1 July 2024

## Tax information bulletins

**Tax Information Bulletin (TIB) Part II, Vol 21, No 8 (October/November 2009)** Page 75

**Tax Information Bulletin (TIB) Vol 23, No 1 (February 2011)** Page 38

**Tax Information Bulletin (TIB) Vol 31, No 4 (May 2019)** Page 138

**Tax Information Bulletin (TIB) Vol 33, No 6 (July 2021)** Page 22

**Tax Information Bulletin (TIB) Vol 36, No 4 (May 2024)** Pages 96 to 100

## Standard Practice Statement

**Standard Practice Statement (SPS) 18/03** Effective date of GST registrations

## Questions we've been asked

### **Question we've been asked (QB) 15/02**

Income Tax – Major development or division – what is 'significant expenditure' for section CB 13 purposes?

### **Question we've been asked (QB) 15/04**

Income Tax – Whether it is possible that the disposal of land that is part of an undertaking or scheme involving development or division will not give rise to income, even if no exclusion applies

### **Question we've been asked (QB) 16/06**

Income Tax – Land acquired for a purpose or with an intention of disposal

### **Question we've been asked (QB) 16/07**

Income tax – Land sales rules, main home and residential exclusions, regular pattern of acquiring and disposing, or building and disposing

### **Question we've been asked (QB) 17/02**

Date of acquisition of land, and start date for 2-year bright-line test

### **Question we've been asked (QB) 18/01**

Can a fit out of an existing building be 'improvements' for the purposes of CB11?

### **Question we've been asked (QB) 19/09**

Can I register for GST if I supply short-stay accommodation to guests in my home or holiday home?

### **Question we've been asked (QB) 19/14**

Income tax – When does the business premises exclusion in s CB 19 apply to preclude land sales from being taxed under ss CB 6 to CB 11?

### **Question we've been asked (QB) 23/09**

Income tax - Forfeited deposits from cancelled land sale agreements



**Question we've been asked (QB) 24/04**

When is a subdivision project a taxable activity for GST purposes?

**Question we've been asked (QB) 24/04 Fact sheet**

When is a subdivision project a taxable activity for GST purposes?

**Interpretation statements****Interpretation Statement (IS 12/03)**

Income Tax – Deductibility of repairs and maintenance expenditure – General principles

**Interpretation Statement (IS 17/08)**

Goods and Services Tax – Compulsory zero-rating of land rules (general application)

**Interpretation Statement (IS 20/04)**

Goods and Services Tax: GST treatment of short-stay accommodation

**Interpretation Statement (IS 20/08)**

Income Tax – When is development or division work 'minor'

**Interpretation Statement (IS 22/03)**

Income Tax – Application of the land sale rules to co-ownership changes and changes of trustees

**Interpretation Statement (IS 22/03 Fact sheet)**

The land sale rules and changes to co-ownership

**Interpretation Statement (IS 23/10)**

Deductibility of holding costs for land

**Interpretation Statement (IS 23/10 Fact sheet)**

Deductibility of holding costs for land

**[ird.govt.nz](http://ird.govt.nz)****[ird.govt.nz/buying-selling](http://ird.govt.nz/buying-selling)**

Tax you will need to pay if you're buying and selling property

**[ird.govt.nz/property-income-tax](http://ird.govt.nz/property-income-tax)**

Income tax when you buy or sell property

**[ird.govt.nz/bright-line](http://ird.govt.nz/bright-line)**

Information about the bright-line test

**[ird.govt.nz/gst-adjustments](http://ird.govt.nz/gst-adjustments)**

GST adjustments for business, private and exempt use

**[ird.govt.nz/gst-debit-adjustments](http://ird.govt.nz/gst-debit-adjustments)**

Other GST debit adjustments

## Services you may need

### 0800 self-service number

Our 0800 self-service number, 0800 257 777, is open 7 days a week. Make sure you have your IRD number ready when you call.

For access to your account-specific information, you'll need to be enrolled with voice ID or have a PIN.

When you call, confirm what you want from the options given. If you need to talk with us, we'll re-direct your call to someone who can help you.

### Need to speak with us?

Have your IRD number ready and call us on one of these numbers.

General tax, tax credits and refunds	0800 775 247
Employer enquiries	0800 377 772
General business tax	0800 377 774
Overdue returns and payments	0800 227 771

We're open 8am to 6pm Monday to Friday. We record all calls.

Our self-service lines are open 7 days a week. They offer a range of automated options, especially if you're enrolled with voice ID.

Find out more at [ird.govt.nz/contact-us](https://ird.govt.nz/contact-us)

## Privacy

Meeting your tax obligations means giving us accurate information so we can assess your tax and entitlements under the Acts we administer. We may charge penalties if you do not.

We may also exchange information about you with:

- some government agencies
- another country, if we have an information supply agreement with them, and
- Statistics New Zealand (for statistical purposes only).

You can ask for the personal information we hold about you. We'll give the information to you and correct any errors unless we have a lawful reason not to. Find our full privacy policy at [ird.govt.nz/privacy](https://ird.govt.nz/privacy)





**Te Kāwanatanga o Aotearoa**  
New Zealand Government