



10 August 2022

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 20 July 2023. You requested:

- 1) *all of the original policy manifesto relating to the bright line dating back to 2017, along with*
- 2) *year by year breakdown of amounts collected by IR since the application of the bright line.*

Background

The Government introduced the bright-line property rule, or test, in 2015 to supplement the "intention test" set out in CB 6 of the Income Tax Act 2007. The intention test, which taxes gains from the disposal of land bought with an intention or purpose of disposal, can be difficult to enforce due to its subjectivity. The bright-line property rule was introduced to supplement this subjective intention test with an objective test.

There is a main-home exclusion, and the bright-line rule does not tax periods when a property is used as the owner's main home. If the property is also used as a rental property, those periods may be taxed. A different rule applies for residential property acquired before 27 March 2021.

The Government excluded main homes from the bright-line rule as a person's main home is less likely to have been bought with the intention of disposal. This is referred to as the "main home exclusion", and is similar to exclusions available for the intention test and other parts of New Zealand's tax rules.

Question 1

Interpretation of "Original policy manifesto"

On 24 and 28 July 2023, we attempted to clarify the definition of "original policy manifesto". As we did not receive a response, we have interpreted your request to be for policy proposals as they relate to the original bright-line property rule introduced in 2015.

All relevant documents in scope of your request were proactively released as part of the Treasury's information release for Budget 2015. You can find the documents here, under the *Revenue* heading: <https://www.treasury.govt.nz/publications/information-release/votes-internal-affairs-revenue-other-papers-relating-specific-votes-budget-2015-information-release#revenue>.

Further documents relating to the bright-line property rule can be found by searching for 'bright-line' on Inland Revenue's Tax Policy website and filtering by *Information release*, *Officials' report*, or *Publication*: www.taxpolicy.ird.govt.nz.

Your request for the 'original policy manifesto' relating to the bright-line test is therefore refused under section 18(d), as the information requested is publicly available.

Question 2

The bright-line property rule is one of several provisions under the Income Tax Act 2007, which taxes income from property sales. As the bright-line rule is not a tax, Inland Revenue did not previously collect data on revenue generated from the bright-line application.

However, Inland Revenue has started to collect data on bright-line profits for the 2022-23 tax year. Please note that the figure provided below is a year-to-date figure and is incomplete as taxpayers are still in the process of returning income for the 2022-23 tax year.

As at 8 August 2023, an estimated \$21 million has been collected from the bright-line property rule for the 2022-23 tax year thus far. This figure will change as further returns are filed until March 2024.

Your request for the yearly breakdown of amounts collected by Inland Revenue since the introduction of the bright-line rule for the 2015-22 tax years is refused under section 18(g) of the OIA, as the information is not held by Inland Revenue, and we do not believe it is held by another agency.

Right of review

If you disagree with my decisions on your OIA request, you can ask an Inland Revenue review officer to review my decisions. To ask for an internal review, please email the Commissioner of Inland Revenue at: CommissionersCorrespondence@ird.govt.nz.

Alternatively, under section 28(3) of the OIA, you have the right to ask the Ombudsman to investigate and review my decisions. You can contact the office of the Ombudsman by email at: info@ombudsman.parliament.nz.

If you choose to have an internal review, you can still ask the Ombudsman for a review.

Publishing of OIA response

Please note that Inland Revenue regularly publishes responses to requests that may be of interest to the wider public on its website. We consider this response is of public interest so will publish this response in due course. Your personal details, and any information that would identify, you will be removed before it is published.

Thank you for your request.

Yours sincerely



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