



14 November 2024

[Redacted]  
 [Redacted]  
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Dear [Redacted]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 17 October 2024. You requested the following:

- How many property owners have had to pay tax under the bright-line test in the last five years? (Noting of course the timeframe has changed)*
- How many properties have come under the bright-line test?*
- What does IRD do to chase people who haven't paid tax under the bright-line test?*
- How many have paid after they've been followed by IRD?*
- Are any extra resources going into monitoring and enforcing the bright-line test?*

**How many property owners have had to pay tax under the bright-line test in the last 5 years?**

As of 31 October 2024, Inland Revenue received 3,524 income tax returns containing bright-line income.

A specific box for customers to identify bright-line income was added to the 2023 tax return. Previously, customers declared bright-line income as part of their total income. Therefore, your request for information relating to tax paid on the bright-line test for the years ending 31 March 2020 – 31 March 2022 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.

Please note that the total returns for the tax year ending 31 March 2024 is incomplete as some returns are not due until 31 March 2025.

Table 1 outlines how many returns have been filed with bright-line income.

**Table 1: Income Tax Returns with Bright-line income**

<b>Tax year ended</b>	<b>Returns</b>
31 March 2023	2,176
31 March 2024*	1,348
<b>Total</b>	<b>3,524</b>

*\*Tax year incomplete.*

### How many properties have come under the bright-line test?

For the last five completed tax years, 221,947 property sales have fallen with the bright-line period that was applicable at the time of sale.

The sales include those properties that may have qualified for an exemption and are not required to return bright-line income on the sale of the property. For example, being the main residence of the property owner.

Table 2 details the number of property sales that fall within the bright-line period that Inland Revenue has calculated, based on information we receive from Land Information New Zealand and local council records.

**Table 2: Property Sales within Bright-line Period**

<b>Tax year ended</b>	<b>Sales within bright-line period</b>
31 March 2020	31,445
31 March 2021	46,735
31 March 2022	50,301
31 March 2023	45,112
31 March 2024	48,354
<b>Total</b>	<b>221,947</b>

### What does Inland Revenue do to chase people who haven't paid tax under the bright-line test?

Inland Revenue continues to assist people in correcting and avoiding mistakes as part of our 'right from the start' compliance approach. However, Inland Revenue can pursue those who do not meet their tax obligations through audits and prosecutions, depending on the nature of the tax error.

Inland Revenue encourages people to meet their bright-line property rule obligations by:

- Informing people of their obligations through advertising and encouraging them to get it right from the start.
- Developing tools and resources to make the process easier for customers (e.g. IR1227 Bright-line property tax guide, updated web content and the property tax decision tool).
- Contacting customers to review their property sales tables in MyIR and prepopulating the IR833 Bright-line residential property sale information form to confirm bright-line sales at the end of the tax year.

### How many have paid after they've been followed by Inland Revenue?

Of the customers that Inland Revenue followed up with, 1,438 were required to return bright-line income which resulted in a tax bill. Of those customers, 1,187 have paid this amount in full, with a further 202 entering into a formal instalment arrangement or having made partial payments towards the debt. Inland Revenue continues to follow up with those with outstanding debt to ensure these obligations are met.

For the tax year ended 31 March 2024, payment is not required until 7 February 2025 at the earliest.

Table 3 outlines how many customers have made payment after Inland Revenue has made contact about tax to pay.

**Table 3: Customers Required to Return Bright-line income**

Tax year ended	Customers with further tax to pay	Full payment received	Under instalment arrangement or partial payment received
31 March 2020	384	355	21
31 March 2021	357	309	40
31 March 2022	316	260	47
31 March 2023	262	219	30
31 March 2024*	119	44	64
<b>Total</b>	<b>1,438</b>	<b>1,187</b>	<b>202</b>

\*Tax year incomplete.

### Are any extra resources going into monitoring and enforcing the bright-line test?

As part of Inland Revenue's property compliance programme, bright-line continues to be one of our focus areas. Inland Revenue uses data and intelligence to monitor compliance and to inform decisions. We apply resources where required, in accordance with legislation.

### Right of review

If you disagree with my decision on your OIA request, you can ask an Inland Revenue review officer to review my decision. To ask for an internal review, please email the Commissioner of Inland Revenue at: [commissionerscorrespondence@ird.govt.nz](mailto: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 decision. You can contact the office of the Ombudsman by email at: [info@ombudsman.parliament.nz](mailto: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**

We intend to publish our response to your request on Inland Revenue's website ([ird.govt.nz](http://ird.govt.nz)) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you again for your request.

Yours sincerely



Bernadette Newman

**Customer Segment Leader, Small and Medium Enterprises**