



BRIGHTLINE RULES

As you are aware, the Government introduced the Brightline Rules in 2015 which provides that income tax is paid on amounts gained from the sale or transfer of residential property.

What is residential property?

Residential property includes:

- Land with a house on it;
- Land the owner will build a house on at some stage;
- Land the owner may one day build a house on;
- Short stay accommodation.

When do the Brightline Rules apply (Brightline Periods)?

The Brightline Rules apply to properties purchased or transferred as follows:

- Before 1 October 2015: Not applicable
- 1 October 2015 to 28 March 2018: Two Year Rule
- 29 March 2018 to 26 March 2021: Five Year Rule
- 27 March 2021 onwards (excluding new builds): Ten Year Rule
- 27 March 2021 onwards for new builds: Five Year Rule
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What are the exclusions?

- Main home;
- Inherited property (property transferred on the person's death);
- Executor or Administrator of an estate;
- Relationship property;
- Business premises;
- Farmland;
- Company amalgamations.

passed and the matter is unlikely to be revisited (if at all) until after the election in October 2020.

What is a main home?

- The property where you live for most of the time or if you have more than 1 property it is the one you have the greatest connection to.
- Use of more than 50% of the property's area as your main home.
- If the property is owned by a Trust and one of the Trust's beneficiaries lives in the property and it is the main home of the principal settlor.

When does a main home exclusion not apply?

- When you regularly buy and/or sell or build and sell your main home.
- If you have used the main home exclusion twice or more over the 2-year period immediately before you sold your main home.
- If you did not use it as your main home for the time required during the Brightline Period.

For property acquired on or after 27 March 2021, to any continuous period or periods of more than 12 months during the Brightline Period where the property was not used as the main home

What is a new build?

A new build is a property that is purchased off the plans and is awaiting the issue of a code compliance certificate within 1 year. New builds are:

- Excluded from the Ten Year Rule;
- Exempt from the proposed changes to interest deductibility;
- Subject to the Five Year Rule if purchased on or after 27 March 2021.

What is the date of Purchase (Acquisition Date)?

Standard house purchase

The settlement date (when the property has been transferred to the new owner and the new owner gets legal title).

New build purchase

The date of the Agreement for Sale and Purchase.

Relationship property transfer

The date the property was transferred to the new owner.

What is the date of Sale (Disposal Date)?

Standard house sale

The date of entry into the Agreement for Sale and Purchase.

If you would like to talk to someone, please email Elizabeth at elizabeth@foyhalse.co.nz or call us on 09 638 7151