

PROPERTY TAX ... WHAT COULD BE ON THE AGENDA?

The new Labour lead coalition looks likely to implement the following changes:

- A crack down on housing speculation by extending the bright line test to five years from two. This bill has been passed and will obtain royal consent prior to 31 March 2018. It will be applicable to property purchases from the date of royal consent which is likely to be as of 1 April 2018.
- Set up a Tax Working Group, to ensure that there is a better and fairer balance between the taxation of income and assets, in particular the capital gain associated with property speculation. The outcomes of this Working Group – if any – will not take effect until the 2021 tax year, Labour have said any capital gains tax will be off the Agenda until then.

If the new Government spend all the current surplus that National left them with, it may be inevitable that a capital gains tax is needed to replenish the surplus.

- Labour may be looking to minimise one of the key tax benefits that can be gained through residential property investment, this being that rental losses are currently able to be offset against all other forms of income. This has the effect of reducing your taxable income, in other words 'the negative gearing aspect to property investment'.

What Labour are likely to introduce is that you can only claim rental losses against rental income. For many rental property investors out there this is definitely not in your favour if you have always enjoyed a healthy tax refund at the year end.

- This will have an impact on property values and that's got to be a good thing.
- As to what Labour and NZ First have in mind for the LTC structure, we are not sure, but we do not expect any tinkering with this particularly if they look to 'ring fence' rental losses as proposed above. However, LTC's may become less commonly used for investment property owners due to the inability to utilise a rental loss against taxable income.
- Just as we went to print the Government announced a clamp down on foreign home buyers classifying them as "sensitive" under the Overseas Investment Act.

What impact might this all have? Could we be in for a flat housing market for the next decade?

COMPULSORY INSULATION

We also have **attached** for your interest some information on the new legislation regarding ceiling and underfloor insulation.

