How the rules work for certain entities

The Government intends to limit the ability to deduct interest to make residential properties a less attractive investment option to help level the playing field for first home buyers. The proposed changes are generally intended to apply to all property owners. However, specific proposals deal with how **companies, developers and social housing providers** will interact with the rules. This information sheet provides a quick overview of the rules relating to those property owners.

These proposals will be considered by Parliament and may change.

Companies

It is proposed that the rules will not apply to most companies whose core business does not involve residential land. This is intended to reduce compliance costs for such companies, as allocating interest costs may be difficult and costly for companies with many different types of assets and sources of funds.

Companies that do not have a core business involving residential property are unlikely to be adding to house price pressures. These are companies where residential property (including new builds) makes up less than half of their total assets.

However, companies where five or fewer individuals or trustees own more than 50% of the company (referred to as close companies) will generally have to apply the rules even if their core business does not involve residential property. This won't apply to close companies that are Māori authorities or wholly owned by a Māori authority (or entities eligible to be Māori authorities). Such companies are different from other close companies, as they are accountable to a larger member group (even if they are technically close companies because they are owned by a single trust).

Developers

Property developers will not be specifically exempted from the rules, but it is proposed that their development activity will be so that interest incurred on property developments will continue to be deductible. See information sheet 4 – Exemptions for property development and new builds.

Social housing providers

Registered community housing providers will generally not be affected by the rules. Many are charities and have an income tax exemption.

Community housing providers that are not tax exempt will also be unaffected by the rules to the extent they would apply to interest on properties used for emergency, transitional, social, and council housing.

Kāinga Ora also provides social housing but is not tax exempt. It is therefore proposed that Kāinga Ora and its wholly owned subsidiaries be excluded from the interest deductibility changes.

Te Kāwanatanga o Aotearoa
New Zealand Government