What types of properties are affected by the changes to interest deductibility?

As previously announced, the Government intends to remove the ability to deduct interest as an expense from income arising from residential property. For residential property acquired on or after 27 March 2021, investors will no longer be able to deduct interest costs from 1 October 2021. For properties acquired before 27 March 2021, investors' ability to deduct interest will be phased-out over 4 years from 1 October 2021. This is intended to reduce pressure on house prices and make it easier for people to own their own home. For more information see paragraphs 1.12 to 1.16 of the Discussion Document at **taxpolicy.ird.govt.nz**.

Types of property for which you will not be able to deduct interest

In general, any property with a dwelling on it (such as a house or apartment) will be subject to these changes (as will bare land that could be used for residential property). It does not matter whether the property is rented out long or short-term, used for short-stay accommodation some or all of the time, or left vacant.

Types of property for which you will still be able to deduct interest

- Properties not suitable for living in, like offices and shops.
- Business premises (except for businesses of supplying accommodation in a dwelling).
- Care facilities like hospitals, hospices and rest homes.
- Retirement villages.
- Hotels, motels, inns, campgrounds, boarding houses.
- Houses on farmland.
- Bed & Breakfasts where the owner lives on the property.
- A portion of the main home if it is used to earn income (for example from flatmates or boarders).
- Employee accommodation. The Government would like feedback about how best to implement this – see paragraphs 2.70 to 2.74 of the Discussion Document.
- Custom built student accommodation, for example Halls of Residence. The Government would like feedback about how best to implement this – see paragraphs 2.75 to 2.79 of the Discussion Document.

Types of property the Government is seeking feedback about

- Properties that contain both business premises and a dwelling, for example a shop on the ground floor and flat above. The Government intends for interest to be able to be deducted for the business premises only, and seeks feedback on how to implement this. See paragraphs 2.64 to 2.69 of the Discussion Document at **taxpolicy.ird.govt.nz**.
- Some serviced apartments resemble hotels or motels, some resemble standard residential apartments. Feedback is sought on how to differentiate them. See paragraphs 2.83 to 2.86 of the Discussion Document.
- Some short-stay accommodation is not a suitable substitute for a home. The Government seeks feedback on whether it is practical for interest to still be deducted for these. See paragraphs 2.80 to 2.82 of the Discussion Document.

Māori collectively owned land and housing

The Government seeks feedback on how the proposals would affect dwellings on Māori land, and where the goal is to provide whānau with quality affordable housing and promote Māori community development, including on general title land.

In particular, the Government seeks feedback on how these proposals could affect papakāinga and kaumātua housing, or other ways in which iwi and hapū are supporting whānau through housing.

The Government is interested in understanding how these developments are financed, and how they are structured including what entities are used (for example charities, Māori authorities). See paragraphs 2.87 to 2.96 of the Discussion Document.