



## Changes to the bright-line test

The bright-line test means if you sell a residential property you have owned for less than a period of time you may have to pay income tax on any gain. The period of time depends on when the property was acquired:

- 10 years if acquired on or after 27 March 2021
- 5 years if acquired between 29 March 2018 and 26 March 2021 inclusive
- 2 years if acquired between 1 October 2015 and 28 March 2018 inclusive.

For more information see the [property section on Inland Revenue's website](#) at [ird.govt.nz/property](http://ird.govt.nz/property).

The Government is consulting on 2 areas of changes to the bright-line test: how new builds are treated more favourably, and how technical changes of ownership are handled.

### New build bright-line test

The Government has stated that new builds acquired on or after 27 March 2021 will be subject to a 5-year bright-line test, instead of the 10 years that applies for other residential properties acquired on or after this date.

Generally, it is proposed that residential property would be considered a new build where a self-contained dwelling (with its own kitchen and bathroom, and that has received a code compliance certificate) has been added to residential land. For more information see the [Treatment of new builds summary sheet](#) or chapter 7 of the [Discussion Document](#) at [taxpolicy.ird.govt.nz](http://taxpolicy.ird.govt.nz).

A person can use the 5-year new build bright-line test if they:

- add a new build to a property (so long as the new build receives its code compliance certificate before they sell it), or
- acquire a new build no later than 12 months after it receives its code compliance certificate.

Apart from applying for 5 years instead of 10, the rules that apply for the 10-year bright-line test also apply for new builds. For more information on how it is proposed the new build bright-line test would work, refer to chapter 9 of the [Discussion Document](#).

### Technical changes of ownership will not affect the bright-line test

Generally, where the legal ownership of a property changes, but the underlying economic ownership is the same, the Government is proposing that the transfer will be ignored, so the recipient will be treated as having acquired the land when it was acquired by the previous owner. Examples of this may include settling a property on a family trust, or a transfer to a look-through company.

The Government is also interested in understanding whether any bright-line issues arise in the context of the governance and administration of Treaty settlement land.

For more information see chapter 10 of the [Discussion Document](#).

