

Significant tax changes ahead for property investors

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Today the Government announced that it will be making two significant tax changes as part of its package of reforms aimed at the housing crisis:

- **Extension of the bright-line test for residential property:** The bright-line test provides that sales of residential property within a set period after acquisition required the payment of income tax on any uplift in value. The current bright-line period is five years. The Government has announced it intends to extend the bright-line period to ten years for residential property with an exception for newly built houses (new builds). It is proposed that new test will apply to properties acquired on or after 27 March 2021.
- **No deductions for loans on residential investment property:** The ability to deduct interest costs of mortgages on investment properties against rental income will be removed. For properties acquired on or after 27 March 2021, interest deductions will be disallowed from 1 October 2021. For existing properties and loans, the rule will be phased in over a four-year period.

Further details of the changes to the bright-line test can be found [here](#) and on changes to the interest deductibility rules can be found [here](#).

For more information, or to discuss how these changes will apply to you, please contact a member of the [Buddle Findlay tax team](#).

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