



# Information Sheet

## The New Bright-Line Test

As part of the Budget 2015, a series of changes have been proposed with the intention to help the IRD more accurately identify property investors and ensure they pay their share of tax.

For agreements for sale and purchase which are signed **on or after 1 October 2015**, we recommend our members to:

- **Provide information** on the below changes; and
- **Encourage** buyers and sellers to **liaise with their lawyers/conveyancers well before** the settlement date while acting as required by [Rule 9.7](#).

### What does this mean for me, the Licensee?

You will need to be aware your buyers and sellers will need to speak to their lawyer/conveyancer about the following:

- A **tax statement** must be provided for **ALL** agreements for sale and purchase signed on or after 1 October 2015 **before** the agreement can be **settled**;
- They will need to **provide an IRD number** for the tax statement (there will be an **exemption** for a **New Zealand resident's main home**, but this will **NOT** apply for offshore persons or trusts);
- IRD numbers can **ONLY** be given with a **New Zealand Bank Account**;
- **Overseas tax residents** will also need to supply their **foreign tax identification** number and their **country code** from their home jurisdiction; and
- They will need to seek **advice** from a **lawyer/conveyancer** who will help them with **exemptions** or where they have **more than one** home.

It is the responsibility of **lawyers and conveyancers** to facilitate this collection of information through the Landonline system.

#### NB

- Most of the requirements will not apply to agreements signed **before** 1 October 2015 provided they are **settled before** 1 April 2016. From 1 April 2016, the requirements will apply to all agreements signed.

Further clarification and the most up to date information is provided on the [IRD](#) and [LINZ](#) websites.

### The Taxation (Bright Line Test for Residential Land) Bill

You will need to inform buyers and sellers that:

- The Bright Line Test Bill will require income tax to be paid on **gains** from the sale of **residential land bought and sold within two years**, unless the property was the person's **main home**;
- The two-year period runs from the date of registration to the agreed date for sale;
- The Test will only apply to agreements for the sale and purchase of land entered into **on or after 1 October 2015**;
- The Bill has had its first reading and may change;
- **Exemptions** will include if the property was a main home, inherited, or transferred under a relationship property agreement; and
- Please talk to a lawyer/conveyancer to see if exemptions apply.

*DISCLAIMER: The information contained in this document is not intended to form professional legal advice or legal opinion on any particular matter.*