



**I have bought and sold
a property at a profit.
Do I have tax to pay?**

Glossary

Property means land (including a bare section), buildings and rights or options, eg, for "off the plan" properties.

Note: The ownership structure of the property doesn't matter. Whether it's owned by an individual, by a trust, by a qualifying company or by a look-through company - the rules are the same.

Purchase means any form of acquisition of the property including transfers or gifts.

Sale means any form of disposal of the property including transfers or gifts.

Is there tax to pay on property I sell?

It depends on your reason or intention when you buy the property.

We look at your reason or intention to work out if you should pay tax on the profit from the sale of a property.

If you buy a property with the firm intention of selling it when prices rise - to make a gain from the increase in the property's value - the profit is likely to be taxable.

However, if you buy a property to provide a home for your family, any profit from the eventual resale isn't likely to be taxable.

A good test is to ask yourself "what are my reasons for buying this property?"

Bright-line test for residential property

If you purchase any residential property on or after 1 October 2015 and sell it within a certain period of time, the sale may be taxable, no matter what your intention was when you purchased it. The bright-line test looks at whether the property:

- was purchased on or after 1 October 2015 through to 28 March 2018 inclusive, and sold within two years, or
- was purchased on or after 29 March 2018 and sold within five years.

A property will not be taxable under the bright-line test if you meet one of the following exemptions:

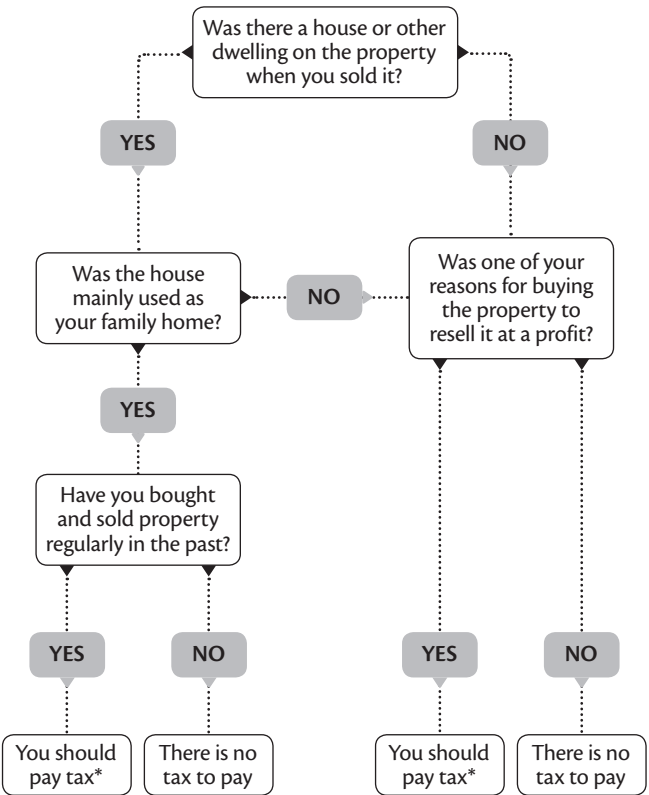
- it's your main home
- you have inherited the property
- the property has been transferred under a relationship property agreement
- the property was transferred on the death of a person to the executor or administrator of the estate.

For more information on the bright-line test for residential property see our guide *Buying and selling residential property (IR313)*.

I have bought and resold a property at a profit. Do I have to pay tax?

Note

The following doesn't take into account the bright-line test. If the answer below says there is no tax to pay, you then need to consider the bright-line test if you purchased the property on or after 1 October 2015.



***Please talk to your tax professional**

Why is my reason for buying a property important?

If one of your reasons for buying a property is to resell it, any profits are likely to be taxable.

It's a fact that nearly everyone buying a property will sell it at some stage in the future and most people hope their property will gain in value. However, this alone isn't enough to make any profits taxable.

It's only when one of your specific reasons for buying a property is to resell it that any profit you make from the sale is taxable.

We need to work out your intentions when you buy a property so we can decide whether any profit you make on its sale will be taxable.

Normally, living in a house means that any profit on its eventual sale isn't likely to be taxable, unless you have a regular pattern of buying, living in and selling properties.

If you purchase residential property on or after 1 October 2015, you'll need to check if it is taxable under the bright-line test no matter what your reason for purchasing the property (see page 3).

If you're an offshore RLWT person you may be required to have residential land withholding tax deducted from the property sale. For more information go to www.ird.govt.nz (search keywords: RLWT)

How do you work out what my intention or reason for buying a property was?

We listen to what you tell us and look at your actions. We may also look at your history in buying and selling properties. For example, have you bought and sold a number of properties over a period of time, or bought and sold properties at regular intervals? We might look at statements you made to a bank manager or advisor when you bought the property, and at any plans made or discussed at the time.



We work out your intentions by listening to what you tell us and looking at your actions.