



Saving and Investing

Hon Dr Michael Cullen
Minister of Finance

Tougher action on property speculation

Inland Revenue will expand its audit activity to ensure property speculators pay their fair share of tax, said Finance Minister Michael Cullen.

"Budget 2007 provides a further \$14.6 million to Inland Revenue over three years to strengthen its auditing of property transactions," said Dr Cullen.

"Clearly, the big increase in housing investment in recent years has contributed to inflationary pressures with consequent flow-on effects for interest rates and exchange rates. Speculative activity has played a part in pushing up house prices and household debt levels.

"Giving Inland Revenue further resources to help it enforce existing law more effectively will increase confidence in the tax system and should help dampen the effects of property speculation on the housing market.

"There appears to be a growing risk from property transactions and perhaps a perception that it is easy to avoid tax on them.

"Under current law, income tax may apply to gains on property sales in a range of circumstances – such as when land was bought to resell or has been developed or subdivided, or when the seller is a dealer in land. In these circumstances, tax should be paid on the profits, just as it should on income from other kinds of investment.

"Managing compliance risks around property transactions is a key priority for Inland Revenue. It is important Inland Revenue has the resources to ensure the tax rules relating to property transactions are enforced.

"The Commissioner has said that more resources in this area would enable existing audit activity to be strengthened. Inland Revenue has targeted property transactions in recent years. The revenue from property auditing averaged \$100 million between 2004 to 2006."

Contact: Mike Jaspers, press secretary, 04 471 9412 or 021 270 9013
mike.jaspers@parliament.govt.nz