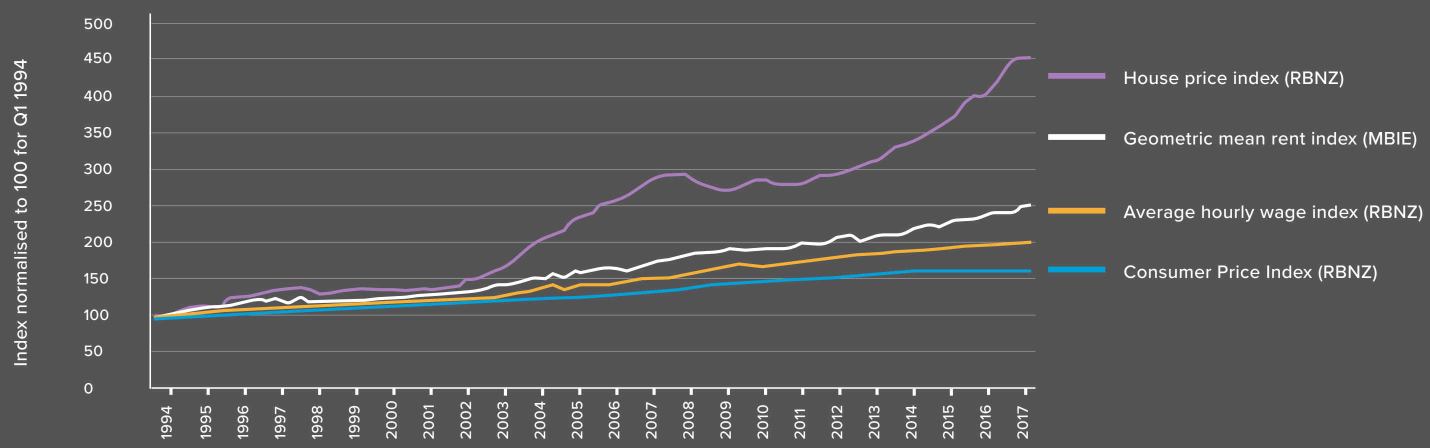
CAN TAX MAKE HOUSING MORE AFFORDABLE?

Tax Working Group
Te Awheawhe Tāke

It is widely understood that New Zealand has a housing affordability problem. Rents are rising at a faster rate than average incomes and house prices are speeding even further ahead. This disparity is particularly felt in urban areas – including Auckland, Hamilton, Tauranga, Wellington and Christchurch.

INDEX OF HOUSE PRICES, RENTS AND INCOME GROWTH FROM Q1 1994 TO Q1 2017



WHAT HOUSING IS CURRENTLY TAXED?

Rental property investments are taxed on the basis of the income received (minus expenses). Any capital gains on the property's value are normally untaxed.

Rates paid to local councils are paid on both rental and owner-occupied housing.

Any profits on non-owner-occupied properties bought and sold within two years are currently taxable under the bright-line test.

The government is looking to extend the period to five years.

Property investors who buy housing with the intention of selling property for a profit are also taxed – although in practice this is difficult to enforce due to the subjective nature of intention.

The Government is also looking to stop property investors from using tax losses on rental properties to offset their tax on other income.

WHAT MORE COULD TAX DO?

In some ways property remains under taxed compared to other investments. For instance, any profits from the sale of a long term property investment generally isn't taxed.

How do you think the tax system affects housing affordability for owners and renters? Is there a case to make changes to promote greater housing affordability?

The family home is off the table for any new property taxes but should New Zealand have a capital gains tax for other types of housing? What features would it have?

Find out more at: **taxworkinggroup.govt.nz**