



Exemptions for property development and new builds

The Government intends to limit the ability to deduct interest to make residential properties a less attractive investment option and thus level the playing field for first home buyers. To encourage the supply of new housing, the Government is proposing exemptions from the rules denying interest deductions.

This information sheet provides information on the land business exemption, the development exemption, and the new build exemption.

These proposals will be considered by Parliament and may change.

Exemption for business developing land

The **land business exemption** will apply for interest relating to land if you hold that land as part of a developing, subdividing, or land-dealing business, or a business of erecting buildings on land.

Interest relating to remediation work and other expenses from ownership and development of the land will also qualify if this exemption applies.

Exemption for other property development

If you do not qualify for the land business exemption, the **development exemption** will apply for interest relating to land that you develop, subdivide, or build on to create a new build. You can only deduct interest if existing tax rules allow you to, even if you qualify for the exemption.

The exemption will apply from the time you start developing the land and end when you sell the land or receive a Code Compliance Certificate (CCC) for your new build. Once your new build receives its CCC, the new build exemption will apply instead.

Interest relating to remediation work done to an existing property that is not significant enough to create a new build will not qualify for this exemption.

Exemption for new builds

What is a new build?

A new build will generally be defined as a self-contained residence that receives a CCC confirming the residence was added to the land on or after **27 March 2020**. It will also include a self-contained residence acquired off the plans that will receive its CCC on or after **27 March 2020** confirming it has been added to the land.

A new build will not have to be made of new material or constructed onsite, so it can include modular and relocated homes.

If you convert an existing dwelling into multiple new dwellings, this can qualify as a new build. So too can converting a commercial building into residential dwellings.

When does the new build exemption begin?

The new build exemption will apply to allow you to deduct interest (provided it is deductible under existing tax law) from the dates:

- you acquire your new build – if it already has a CCC or you acquire it “off the plans”, or
- your new build receives its CCC.



Expiry of exemption for new builds

The exemption will expire 20 years after a new build receives its CCC or when the new build ceases to be on the land (for example, it is demolished or removed), whichever is earlier.

Where a new build is acquired off the plans and before its CCC is issued, the 20-year fixed period will still run from the date of the CCC. Special rules also apply for hotel/motel conversions, and for new builds that receive their CCC after a significant delay.

The exemption will apply to anyone who owns the new build within this 20-year fixed period, and the timing of the exemption will not reset when the property is sold.

This information sheet provides a brief description of the Government's proposals. It does not attempt to provide comprehensive coverage. For full details of the proposals refer to the Supplementary Order Paper.

