

Announcements

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Government property announcements

Today the Government announced a range of measures addressing the supply and demand for residential properties. For the tax system, the Government announced:

- an extension of the bright-line test for residential properties from five to ten years, and
- a 'change-of-use' rule which will apply where the property was not used as the main home for more than 12 months at a time.

These two proposed changes will be included in a Supplementary Order Paper to the Taxation (Annual Rates for 2020–21, Feasibility Expenditure, and Remedial Matters) Bill that will be released today.

The Government also announced that it intends to remove interest deductions on residential properties (except for new builds), and will consult on the details of this measure.

For more information see the Government's media statement and fact sheets on the bright-line test and interest deductions.

Rt Hon Jacinda Ardern
Prime Minister

Hon Grant Robertson
Minister of Finance

Hon Megan Woods
Minister of Housing

Hon David Parker
Minister of Revenue

23 March 2021

Media statement

Govt housing package backs first home buyers

- Bright-line test doubled to 10 years with an exemption to incentivise new builds
- Interest deductibility loophole removed for future investors and phased out on existing residential investments

- More Kiwis able to access First Home Grants and Loans with increased income caps and higher house price caps in targeted areas
- \$3.8 billion fund to accelerate housing supply in the short term
- Govt to support Kainga Ora to borrow \$2 billion extra to begin land acquisition programme to boost housing supply
- Apprenticeship Boost initiative extended to further support trades and trades training

The Government has announced a housing package that will increase the supply of houses and remove incentives for speculators, to deliver a more sustainable housing market.

“This is a package of both urgent and long-term measures that will increase housing supply, relieve pressure on the market and make it easier for first-home buyers,” Jacinda Ardern said.

“The housing crisis is a problem decades in the making that will take time to turn around, but these measures will make a difference.

“New Zealand housing market has become the least affordable in the OECD. Taking action is in everyone’s interests as continuing to allow unsustainable house price growth could lead to a negative hit to the whole economy.

“Our package of measures will start to tip the balance away from property speculators towards first home buyers. Property investors now make up the biggest share of buyers in the market so it’s essential we take steps to curb rampant speculation.

“There is no silver bullet, but combined all of these measures will start to make a difference,” Jacinda Ardern said.

Grant Robertson said extending the bright-line test and removing interest deduction loopholes for investors will dampen demand and tilt the balance towards first home buyers.

“Our plan will decrease the incentives for speculators to buy residential property, while also encouraging investment in new builds,” Grant Robertson said.

“House price increases of the magnitude we have seen in recent months are not only harmful to affordability. Excessive volatility also represents a risk to economic stability.

“Bubbles are unstable by their very nature, and we cannot afford to put the current economic recovery at risk by allowing house prices to spiral out of control.

“The changes announced today include measures to strengthen the position of first home buyers, including reducing the competition they’ll face from speculators for typical first homes.

“Extending National’s bright-line test on investment properties to 10 years for existing houses will decrease speculative demand for those homes.

“This will give Kiwis a better chance at purchasing their first family home. I want to stress that the bright-line test does not and will not apply to the family home.

“To support our goal of increasing supply, we will keep the bright-line test for new build investment properties at the current five years,” Grant Robertson said.

The tax system favours debt-driven residential property investment over more fully taxed and more productive investments. To reduce investor demand for these investments, the Government will remove the advantage investors have over first home buyers.

“Cabinet has agreed to remove the ability for property investors to offset their interest expenses against their rental income when they are calculating their tax,” David Parker said.

Ministers are also considering closing a loophole on interest-only loans to speculators. The Reserve Bank will report back to Ministers in May on this and any proposals around Debt to Income Ratios, particularly for investors.

Housing Minister Megan Woods said the Government is speeding up the pace and scale of house building with a \$3.8 billion Housing Acceleration Fund.

“Investment in infrastructure has been identified as the single biggest thing the Government can do to increase the supply of housing in the short term.

“This fund will jump-start housing developments by funding the necessary services, like roads to homes and water to taps, which are currently holding up development.

“We estimate the Housing Acceleration Fund will help greenlight tens of thousands of house builds in the short to medium term.

“Assisting Kainga Ora to borrow an additional \$2 billion will assist in bringing a range of development forwards,” Megan Woods said.

First home buyers will also get more help to get into the housing market with increases to First Home Products’ income caps and changes to regional price caps.

In 2019 the Government changed the rules so people only need a 5% home deposit before they can apply for the help. Today that is being expanded to ensure more people are included. This expansion comes alongside the recent RBNZ Loan-to-Value Ratio changes announced that will see investors require a 40 percent deposit from May 1 2021.

“Income caps to get financial assistance will be lifted from \$85,000 to \$95,000 for single buyers, and from \$130,000 to \$150,000 for two or more buyers. The changes to the house price and income caps will take effect on 1 April 2021,” Megan Woods said.

By increasing the income caps, about 9,300 couples and 3,700 singles who are currently renting, will now qualify for the First Home Loan and Grant.

Changes to regional price caps on new build and existing properties will also reflect the increased price of housing.

“This package of measures will help first home buyers into the market and boost activity and create jobs in the construction sector, as we recover from the impacts of COVID-19,” Megan Woods said.

To ensure we have the people power required in the construction sector, the Government is extending the Apprenticeship Boost initiative by four months to further support trades and trades training.

It means employers who have apprentices starting over those extra four months can get some Apprenticeship Boost support as well, which could see more than 5,000 new apprentices able to benefit.

Since launching in August 2020, more than 10,000 employers have signed up and received almost \$97 million in subsidies for more than 21,000 apprentices.