

Does New Zealand Have a Capital Gains Tax (CGT)?

The answer is No - **BUT !**

NZ does not have a CGT as such, but a tax on capital gains does arise in certain situations. These include:

1. Share Traders

However since 1 April 2008 the tax on capital gains made on shares not listed on the NZ or Australian exchanges is limited to 5% of the opening market value of the shares.

Unfortunately the 5% can also still apply if the shares have been sold at a loss or decreased in value. This depends on who owns the shares.

If you intend to be trade shares take advice first.

2. Gain on property purchased with a specific intention of resale at a profit is taxable.

3. Gains on land subdivided within 10 years of purchase are taxable, with limited exemptions. **N.B.** The tax applies no matter when the land is sold. It is the commencement of subdivision within 10 years of purchase that triggers the tax issue.

4. Gains on properties sold by builders within 10 years of completing any improvements to the property are generally taxable. This applies no matter how long the property had been owned prior to doing the improvement.

5. Gains on properties owned by land dealers and developers are generally taxable.

6. Gains due to zoning changes (or the prospect of such a change) can be taxable.

7. Since 1 October 2015 the profits on sale of residential property can be taxable if sold within 2 years of purchase (5 years since 29 March 2018) – referred to as The Brightline Test.

Note:

(a) In the case of categories 4 and 5 above, profits on land sold by persons associated to a builder/dealer or developer can also be taxable. The definition of associated person will catch most family situations.

(b) Generally the profit on your own home is not subject to tax but this is not always the case if the home is owned by a company or trust or is on an area of land exceeding 4,500m² (approximately 1 acre).

Tip Seek professional advice before you sell any property, especially if it has been owned for less than 10 years and a subdivision is involved.

What rate of Tax Applies to Capital Gains?

Effectively it is your marginal tax rate. This means that for a company the tax rate is 28% while for a trust it is 33%.

The highest rate for a gain derived by an individual is currently 33%.

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