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Govt told: one in five Auckland houses sold within two years

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The new rules follow growing concern that first-home buyers are locked out of the Auckland housing market. Photo / Michael Craig

Nearly one in five Auckland homes are sold within two years of being purchased, the Government has been told by officials.

But it is not known how many of those are investment properties that would be subject to a new "bright-line" tax on capital gain.

Prime Minister John Key announced the new tax on Sunday which aims to crack down on speculators who are turning a quick buck on the back of rising house prices.

It will apply from October 1 to any property sold within two years of purchase that is not the owner's primary home. The tax will apply to both domestic and foreign sellers, irrespective of whether they intended to buy the property to make a profit.

The Government has also unveiled measures to track the number of non-resident foreigners buying New Zealand properties and ensure they pay their fair share of tax.

During question time today at Parliament, Mr Key was asked by Labour leader Andrew Little how many speculators who are not caught by the current capital gains tax when buying and selling properties would be captured under the new policy.

Mr Key responded that analysis by the Ministry of Business, Innovation and Employment suggested 17-18 per cent of Auckland housing transactions currently involved properties bought and sold within two years.

"I would be pretty surprised if all of those owners are paying tax on that, and I would strongly suggest that quite a few more will as a result of the bright-line test."

He added that the new tax would catch investors who bought and sold an investment property within two years.

"They are foreigners who are currently non-resident income taxpayers who are not paying their fair share of tax.

"The Government has thought this for quite a long period of time, that the 'intention' test needs reflecting upon, and that was the very reason why we asked the Inland Revenue Department to look at this very issue back in 2010. The officials in 2010 said they did not think we should move on it; in 2015 they changed their minds."

A spokeswoman for Revenue Minister Todd McClay provided the same 17-18 per cent figures of Auckland homes sold within two years of being purchased, adding: "It is unknown how many of these are family homes or investor properties."

When asked how much the new tax policy was forecast to deliver, she said IRD was being "extremely conservative" and had not estimated any income for the 2015/2016 budget.

"The figure of $420 million is the expected return arising out of the extra funding provided to IRD for enforcing the current and bright-line test rules around property."

While most commentators have welcomed moves to target property speculators and foreign buyers, some have questioned whether the new measures will have any impact in slowing Auckland housing prices which have surged by 18 per cent in the last year, squeezing first home buyers out of the market.

- NZ Herald