

The Bill that will see the bright line test extended from two-years to five has passed its third reading and now awaits the Royal Assent to become law

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The bill which will see the bright line test extended by three years has passed its third reading and will become law.

On Tuesday night, the Taxation (Annual Rates for 2017-18, Employment and Investment Income and Remedial Matters) Bill was **passed 63 to 57**.

Labour, New Zealand First and the Greens all voted in favour, with National and Act voting against it.

The bill contains a range of measures but its centerpiece was extending the bright line test from two years to five.

“This measure is about preserving the integrity of the tax system, which is vital,” Revenue Minister Stuart Nash **said in the House**.

The bright line test – which requires tax to be paid on any gains made from a residential property sale – was first imposed by the National-led Government in 2015.

The Labour-led Government has argued the measures don’t go far enough and that extending the test to five years will help deter property speculators and “may” have of a dampening effect on the housing market.

National opposed the changes, despite it being a bill that “in the normal course of events, we very much would have been supporting,” **according to** the party’s Finance Spokeswoman Amy Adams.

“But we cannot support this bill because of the egregious, and I think in fact duplicitous, way in which a stealth capital gains tax is being imposed on New Zealanders through this legislation.”

She argued that at two years, there is a body of evidence that suggests the likelihood of people buying and selling property are more likely than not to be speculating.

After two years, she says the likelihood of this happening is far less– “you are capturing, deliberately it seems, genuine investment behaviour.”

She reiterated her comments that Inland Revenue was telling the Government that two-years was a “much better period for capturing speculators than five years.”

She cited the bill’s Regulatory Impact Statement which said: “the IRD considers that two years is the better bright-line period, mainly because this reduces over-reach.”

An IRD spokesman has **previously said** it “does not necessarily provide a position for or against” on legislation, its job is just to provide advice.

Meanwhile, ACT leader David Seymour **has called out** the National Party for opposing the three-year extension, when it was the party which brought the bright line test into law in the first place.

“Amy Adams’ contortions on the Bill would qualify her for Cirque du Soleil. She tries to claim that a five-year bright line test is a stealth capital gains tax but the two-year bright line tax introduced by National was not.”

The bill will become law when it receives the Royal Assent within the coming days.