



Property  
Brokers

# Welcome to our HBPIA May 2021 Meeting



*Willis*  
Willis Legal





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*Special welcome to all our Guests,  
and Sponsors and members*



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Mike Pero  
MORTGAGES



# Health & Safety Compliance

- *Emergency Procedures*
- *Cell Phones Off*
- *Toilets*
- *No Smoking*



# Disclaimer

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## Healthy Homes – important dates

From 1 December 2020 (was 1 July 2020)

- Landlords must include a statement of their current level of compliance with the healthy homes standards in any new, varied or renewed tenancy agreement.

From 1 July 2021

- Private landlords must ensure their rental properties comply with the healthy homes standards within 90 days of any new, or renewed, tenancy.
- All boarding houses (except Kāinga Ora (formerly Housing New Zealand) and Community Housing Provider boarding house tenancies) must comply with the healthy homes standards.

From 1 July 2023

- All Kāinga Ora (formerly Housing New Zealand) houses and registered Community Housing Provider houses must comply with the healthy homes standards.

From 1 July 2024

- All rental homes must comply with the healthy homes standards



## NZPIF New Documents

- Healthy Homes compliance document
- On-line Tenancy Agreement.
- Motel style directory
  
- These can be found on the members only section of the web site.



**Tonight speaker is:**  
**John Roil**  
**from**  
**Cottages Hawkes Bay**



# **June Event**

**Monday 15th June**

**(The third Monday of the month)**

**Taradale Town Hall**

**Healthy Homes Compliance**

**Megan Burney**





# July Event

**Monday 19<sup>th</sup> July**

(The third Monday of the month)

*Havelock North Community Centre*

**Maybe Government changes?**



# **July Mid Winter Christmas**

**Wednesday 21st July**

6pm

Save the Date



## Coffee Club

- First Saturday of the month
- 10am – until about 11.30am
- No 5 Café and Larder,  
248 State Highway 2,  
Mangateretere
  
- All welcome



## **23 March '21 changes**

# **Housing Acceleration Fund**

- An infrastructure fund
- Additional funding for the Government's Land for Housing Programme

## These will be complemented by:

- Kāinga Ora Land Programme
- A refocused \$350 million Residential Development Response Fund.
- **Extension of the bright line test**
- **Limit deductions for interest expenses on loans**
- First Home Products (First Home Grant and Loans) income and house price caps
- **A proposal to consult on limiting rent increases to once every 12 months per rental property (Link to page (rather than once every 12 months per tenancy), to help mitigate potential negative impacts on tenants from the tax changes.**

## Bright Line Test

- Increased from 5 to 10 years
- Excludes new builds (definition to be consulted on)
- Applied to property acquired on or after 27 March 2021
- Main homes and inherited property remain exempt.  
(some changes are occurring for a property that is both own home and a rental).
- Tax is paid at your income tax rate - up to 39%
- Already passed via a Bill

## Removal of Interest Deductibility

- Still in consultation
- Removal of deductions for interest expenses on loans used to generate income from residential property.
- New builds will be exempt, and the design of the exemption will be consulted on.
- Applies from 1st October, 2021
- Property purchased on or after 27<sup>th</sup> March 2021
- Applies to all residential investment property by 2025.

# Interest Deductibility – pre-existing loans

Income year	Per cent of interest you can claim as an expense
April 1 2020 - March 31 2021	100%
April 1 2021 - September 30 2021	100%
October 1 2021 - March 21 2022	75%
April 1 2022 - March 31 2023	75%
April 1 2023 - March 31 2024	50%
April 1 2024 - March 31 2025	25%
April 1 2025 onwards	0%



## **Limit rent increase to once per year, per property**

- Limit rent increases to once every 12 months per rental property (rather than once every 12 months per tenancy),
- This is to help mitigate potential negative impacts on tenants from the tax changes.
- Will involve a change to the RTA
- In consultation

## Survey Results

- Thanks to the 1917 respondents of our survey
- Conducted through survey monkey
- Over 5 days after the tax deductibility announcement

## Survey Respondents replies

- Average of 5.3 properties
- Average value \$609,407
- 90% had debt on their properties
- Average mortgage interest rate was 3.42%
- Average increase in tax by removing interest deductibility was \$15,083 per investor
- Average increase in tax per property was \$3140 per rental property
- 98% of respondents who bought rental property in the last two years are affected with a tax increase of \$4,542 per year per property

## Survey Respondents replies (continued)

- 78.8% of those investing for 20+ years being affected at a cost of \$2,468 per year per property.
- Cost of the extra tax could be \$1.5 billion
- Brightline Test - 69.2% of respondents did not think they would, or hoped they wouldn't, be affected by the extension of the Bright Line Test.

## Removal of mortgage interest tax deductibility survey results – continued

- The main way to cope with the tax increase (76.8% of respondents), is to increase or probably increase rental prices. A further 8.9% might increase rental prices.
- The median rental price increase is between \$21 and \$30 per week.
- 70.3% of respondents do not currently charge tenants full market level rental prices. 40% have rental prices between \$5 and \$25 under market value, while 30% have rental prices more than \$25 pw under market value.

## Brightline Test

- Treasury wanted to extend this to 20 years.
- Treasury never had time to work out the difference from 5 to 10 years
- Expected fiscal gain is \$650 million with the 10 years.
- Treasury expect rents to rise due to this.
- IRD opposed the 10 years
- IRD wanted 5 years for new builds
- Treasury wanted 20 years for new builds
- Both were worried about the 'lock-in' effect

## Tax Deductibility

- IRD and Treasury didn't agree to the changes
- IRD opposed the changes and wanted to leave the status quo
- Treasury never had enough time to do a Regulatory Impact Assessment.
- Legislation will be written by 1st October.

## **Additional things that were on the table:**

- Ending interest-only loans – on investment properties.
- The Reserve Bank were looking at bringing in debt-to-income (DTI) caps for mortgage lending.
- Extending the Bright Line to 20 years.
- The reintroduction of Stamp Duty.
- Compulsory selling of vacant land for development.
- **Let's see what happens!**





## NZPIF Lobbying

- Bright Line – can't change
- Removal of Interest Deductibility
  - Still in consultation
  - Survey – now completed
  - Act Petition - we advise all members to sign – NB we have no political alliance
  - Meet with tenant groups and explain what this will mean for rents
    - Renters United, Tenant Protection
  - We had a meeting with Government – David Parker, Megan Woods, Poto William and Grant Robertson



## **NZPIF Lobbying - continued**

- Limit Rent increase to once per year, per property
  - This requires a change in the RTA
  - Meet with Housing and Urban Development Team

## What can you do?

- Send emails to Poto Williams and Grant Robertson, David Parker and Megan Woods
- Poto's moto: *"My aspiration is for communities where everyone has a place, everyone has a voice and **we are all loved.**"*
- Rental increase once per tenancy – if you feel strongly about this send an email. – You may want to keep your current tenants at a reduced rent as they have some loyalty to you.

## What's next?

### **We don't know, we can only guess**

- Rental indexing – unsure what exactly but know that HUD are working on this – they may link rents to CPI.
- Rental caps – similar to the above but have a maximum amount you can charge for the size of the property.
- Both Poto Williams and Megan Woods have said this won't happen.

## What should you do?

- Ensure your rents are at current rental rates for the property.
- Use the NZPIF rent checker or use Trademe (don't use the Tenancy Services data)
- Keep a copy (photo) of how you worked this out – to keep the Compliance and Investigation Team happy.
- Talk to your accountant if you are worried



**Any questions**



## Other things NZPIF is working on:

- Privacy Commission – ‘Must have’ and ‘Nice to have’ lists
- Commerce Commission – Cartel behaviour
- Healthy Homes – specifically the heating tool and heat pumps
- RTA changes – 90-day notice causing issues with property sales
- Meth Standards
- Insurance Council
- Property managers – licensing
- DTI – Reserve Bank
- Interest-only loans – Reserve Bank
- Family Violence and Assault on Landlord/Manager



**Thank you**





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*Please stay behind to enjoy a coffee and a chat.*

*Thank you.*



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