

25 March 2019

Mr Liam Hehir
fyi-request-9666-b0a754c4@requests.fyi.org.nz

Dear Mr Hehir

Thank you for your request made under the Official Information Act 1982 (the OIA), received on 25 February 2019. You requested the following:

1. *Approximately how much tax revenue has been raised as a result of the introduction of the bright line test in 2015 for the ownership of residential property?*
2. *What estimates does the Department have as to the approximate cost incurred for establishing and maintaining a system for the collection of income tax under the bright line test?*

For the purpose of question 1., you may assume none of the revenue paid under the bright line test would have been paid as income tax before the introduction of the test.

I will address each of your questions separately below.

Question 1

As background, the gain from the sale of property acquired with the intention of resale is taxable. As intention is subjective, property compliance was difficult to enforce. The bright-line test was introduced to supplement the "intention test" by being objective and unambiguous. The bright-line test is one of a number of provisions under the Income Tax Act 2007 that focuses on the disposal of land. The sale of a property during the bright-line period may be taxed under the bright-line test, or under other provisions.

When properties are sold, customers are not required to provide Inland Revenue with the details of the land provision under which their property is taxed. As a result, Inland Revenue does not hold information at the granular level required to respond to your request. I must therefore refuse this part of your request under section 18(e) of the OIA as the information requested does not exist.

Question 2

Inland Revenue's bright-line recovery actions are mainly focused on education and collecting outstanding tax returns with some early compliance measures. We can identify property sales that are within the bright-line period with the property tax statement data collected and supplied by LINZ. As mentioned above, such sales may be subject to tax under bright-line or other land provisions.

Ref: 19OIA193

A wide range of activities related to property compliance are conducted by Inland Revenue, with the bright-line test being one of these activities. To date, property compliance work has been carried out by staff in a range of roles in Inland Revenue. Property compliance activities are carried out by about 100 of Inland Revenue's Compliance Specialists.

There is no separate budget for bright-line related collection activity, and staff will deal with other compliance activities as well as bright-line. This means we cannot provide a total cost for establishing and maintaining a system for the collection of income tax under the bright-line test. I must therefore refuse this part of your request under section 18(g) of the OIA as the information requested is not held by Inland Revenue.

Right of Review

If you disagree with my decision on your OIA request, you can ask an Inland Revenue review officer to review my decision. To ask for an internal review, please email the Commissioner of Inland Revenue at: CommissionersCorrespondence@ird.govt.nz.

Alternatively, under section 28(3) of the OIA, you have the right to ask the Ombudsman to investigate and review my decision. You can contact the office of the Ombudsman by email at: info@ombudsman.parliament.nz.

Thank you for your request.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Richard Owen', written in a cursive style.

Richard Owen

Customer Segment Lead, Small & Medium Enterprises