MAX RENTALS
MAXIMIZING YOUR PROPERTY POTENTIAL

2026 FRAMEWORK

Property tax
An A–Z for
NZ investors

Property tax — an A–Z for NZ investors

A 2026 working framework

This is general information, not tax advice. Tax outcomes turn on facts specific to you — your other income, structure (sole trader, LTC, trust, company), purpose at acquisition, and the property's history. Use this guide to ask better questions of your accountant, not to make filing decisions.

The framework: income, capital, and the bright line

Three streams of tax touch most New Zealand residential landlords: income tax on rental profit, GST (only for short-stay or fully commercial use), and potentially tax on the gain when you sell, under the bright-line test or the older land-trader rules. The most material in day-to-day terms is income tax.

Bright-line test in 2026

The bright-line test was reduced to 2 years on 1 July 2024 for residential property. This means if you acquire a residential property on or after 1 July 2024 and sell within 2 years of acquisition, the gain on sale is taxable as income (with usual exceptions for main home, inheritance, and relationship-property transfers). Properties acquired earlier remain on the longer bright-line periods that applied at the time of acquisition (5 or 10 years depending on dates).

Acquisition date	Bright-line period applies
On or after 1 Jul 2024	2 years
27 Mar 2021 – 30 Jun 2024	10 years (5 years for new builds)
29 Mar 2018 – 26 Mar 2021	5 years
1 Oct 2015 – 28 Mar 2018	2 years
Before 1 Oct 2015	Bright-line test does not apply

Interest deductibility

Interest deductibility on residential rental property was fully restored in April 2025 after a multi-year phase-down. In the 2025/26 tax year, interest on borrowings used to acquire residential rental property is fully deductible against rental income. Records of how loan proceeds were used remain critical — only the interest on the borrowed portion used for the rental is deductible.

Depreciation — buildings vs chattels

Building depreciation on residential rental property was reinstated in 2020 then removed again from the 2024/25 income year. As of the 2025/26 year, residential building depreciation is generally not deductible. Chattels and fit-out (carpet, blinds, hot water cylinders, heat pumps, appliances) are still depreciable on their own rates — keep a careful chattels schedule at purchase. The cost differential between 'fit-out' and 'structural' is more material than ever.

Deductible expenses — the common categories

Category	Examples	Typically deductible?
Interest on mortgage (residential rental)	Loan interest	Yes (from 2025/26)
Rates and water	Council rates, fixed water charges	Yes
Insurance	Landlord, building, contents (for landlord-owned chattels)	Yes
Property management fees	Letting fees, management commission, advertising	Yes
Repairs and maintenance	Like-for-like replacement, painting, fixing	Yes
Capital improvements	Adding a deck, new kitchen, structural changes	No (capitalised)
Depreciation on chattels	Carpet, blinds, appliances, heat pumps	Yes (per IRD rates)
Travel to inspect property	Mileage, parking, public transport	Limited — keep a log
Professional fees	Accountant, legal (for tenancy matters), Tribunal	Yes
Body corporate levies	If a unit titled property	Yes (operating portion)
Healthy Homes upgrades	Insulation, ventilation, heating to meet standards	Often capital, ask accountant

Repairs vs capital — the line that catches people out

Replacing a worn-out item with the modern equivalent of the same item is usually a deductible repair. Upgrading to a materially better thing, or adding something new, is usually capital and must be depreciated (if it qualifies for depreciation at all). Examples:

- Replacing carpet with carpet of similar quality — repair, deductible.
- Replacing carpet with polished engineered hardwood throughout — capital improvement.
- Re-painting interior walls in similar paint — repair, deductible.
- Adding a second bathroom — capital improvement, depreciable as fit-out.
- Replacing a leaking hot water cylinder with a comparable new one — repair (and the chattels schedule updates).

- Replacing weatherboard cladding because of weather-tightness failure — typically deductible repair, but get specific advice as IRD has prior public rulings on this.

Records to keep, organised by year

1. Annual statements from your property manager
2. Mortgage statements showing interest paid
3. Rates notices and water accounts
4. Insurance policy documents and renewal invoices
5. All maintenance invoices, separated repair vs capital
6. Chattels schedule (from purchase) and any updates
7. Healthy Homes assessment and compliance statements
8. Any Tenancy Tribunal correspondence and outcomes
9. Bank statements showing rental receipts and outgoings
10. If you sold: settlement statement, agent invoice, legal fees

Structures — sole trader, LTC, trust, company

Most one-property landlords hold property in their personal name and a Look-Through Company (LTC) is the most common structure for portfolio investors. Trusts add asset-protection but bring administration cost. Pure companies are usually inefficient because the gains aren't streamed at marginal rates. The right structure depends on your overall tax position, your succession plan, and your appetite for cost. This is the decision that most benefits from accountant input early.

Provisional tax surprises

Rental income from a profitable portfolio will usually push you into provisional tax. The first year is the shock — you pay this year's tax in instalments alongside the previous year's terminal payment. Your accountant can model your provisional tax estimate; the IRD's standard uplift method is rarely the most accurate one for new landlords.

> **Further reading.** IRD has good plain-English guidance at ird.govt.nz/property and the New Zealand Property Investors' Federation (NZPIF) publishes practical updates. For your specific situation, talk to a chartered accountant who specialises in residential property — there are several Auckland-based firms we can refer you to. Email info@maxrentals.co.nz for an introduction.