

Government rejects first home buyers, tenants and rental providers

The First Home Buyers Club, Tenants Protection Canterbury and the NZ Property Investors Federation have presented a letter to Government requesting them to reconsider removing mortgage interest costs on rental properties.

Research has shown that 90% of rental property owners will be affected by the tax increase, with each rental property being taxed an extra \$4,542 per year. Although the tax increase will force some providers to sell their rental properties, the majority hope to be able to keep them through reluctantly increasing rental prices.

Lesley Harris, from the First Home Owners Club, said while they actively save money for their home deposit, they could be facing higher rents. "We would have liked to have seen more positive changes, like making it easier to gain mortgage funds to secure a home," said Harris.

All three organisations supported the Government's goal of helping first home buyers, however they were disappointed not to have been consulted and to have the recommendations in their letter rejected.

Their recommendation not to increase the tax on rental property or to introduce it in a less severe manner, as the UK has done, comes on top of similar recommendations from IRD, Treasury and Ministry of Housing and Urban Development not to implement this change. Tax experts have also confirmed that mortgage interest is a legitimate tax deduction and not a loophole. Therefore, rental property owners are being denied this legitimate tax deduction which will necessitate higher rental prices for tenants and make it harder for first home buyers to save a home deposit.

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