

## Unintended consequences of today's housing announcements

By removing mortgage interest tax deductibility and increasing the Bright Line test, Government is prioritising first home buyers over renters. However the many people who cannot yet afford their first home and are therefore tenants need more rental properties. Private rental property owners are not the problem. They are part of the solution to the problem.

“While the Bright Line test increase will do nothing to stop property speculation, removing interest deductibility will increase the cost of providing rental properties drastically,” said Sharon Cullwick, the executive officer of the NZ Property Investors’ Federation (NZPIF)

Without the ability to claim the legitimate expense of mortgage interest costs, the NZPIF estimates that the cost of providing a \$600,000 rental property will increase by around \$6,000 a year.

Interest deductibility for rental properties is not the loophole it is claimed to be. It does not allow rental property providers to outbid home owners. The facts are that home owners get the benefit of accommodation. Rental property owners get the benefit of rental income. Home owners do not have an income from their homes and therefore have nothing to deduct interest costs from. Rental owners, like all business owners, deduct their business expenses from their business income to work out how much tax they pay.

NZPIF will be very interested to see the Government calculations of what the new tax rules will be. IRD officials have indicated that the fiscal impacts have not yet been established.

The provision of rental property has already been affected through measures such as removing depreciation claims, the previous Bright Line test of five years and ring fencing rental property tax losses. These were all introduced to stop house price growth. This result has not been achieved so when will lack of supply be universally acknowledged as the real issue. Government cannot build the required number of houses New Zealanders need and the demand side measures announced today are just going to reduce the supply of rental properties and increase rental prices.

The NZPIF is proud to support the provision of good quality rental properties in New Zealand. Rental property providers are not speculators. NZPIF reaffirms that tenants need more rental properties and private rental property owners are not the problem. They are part of the solution to the problem.

Sharon Cullwick  
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