

Information Sheet

Extension of Bright-line Test from five years to 10 years

Version 1: April 2021

On 30 March 2021, the Taxation (Annual Rates for 2020–21, Feasibility Expenditure, and Remedial Matters) Bill received Royal Assent. A change brought under this piece of legislation, was the extension of the Bright-line Test from 5 years to 10 years. Remember that, as a Licensee, you should be aware of the potential effects of the Bright-line Test but ensure that you do not put yourself in the position of giving legal, tax or accounting advice to clients and/ or prospective purchasers.

The below flow chart has been derived from the IRD and may be of assistance when determining what length of Bright-line Test is applicable to a property.



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We recommend our members to:

- Provide information on the above changes; and
- Encourage vendors and purchasers to obtain legal advice before signing an Agreement for Sale and Purchase, as required by Rule 9.7 of the Client Care Rules; and
- Record any information you have passed on to the parties in writing so that there is a paper trail confirming your discussions with them.

Remember, it is not the role of the Licensee to advise clients and prospective purchasers on whether the Bright-line Test or any other tax will apply to a transaction.

Click [here](#) to review IRD's Bright-line Test Information Sheet.

Click [here](#) to review more information from the IRD's website