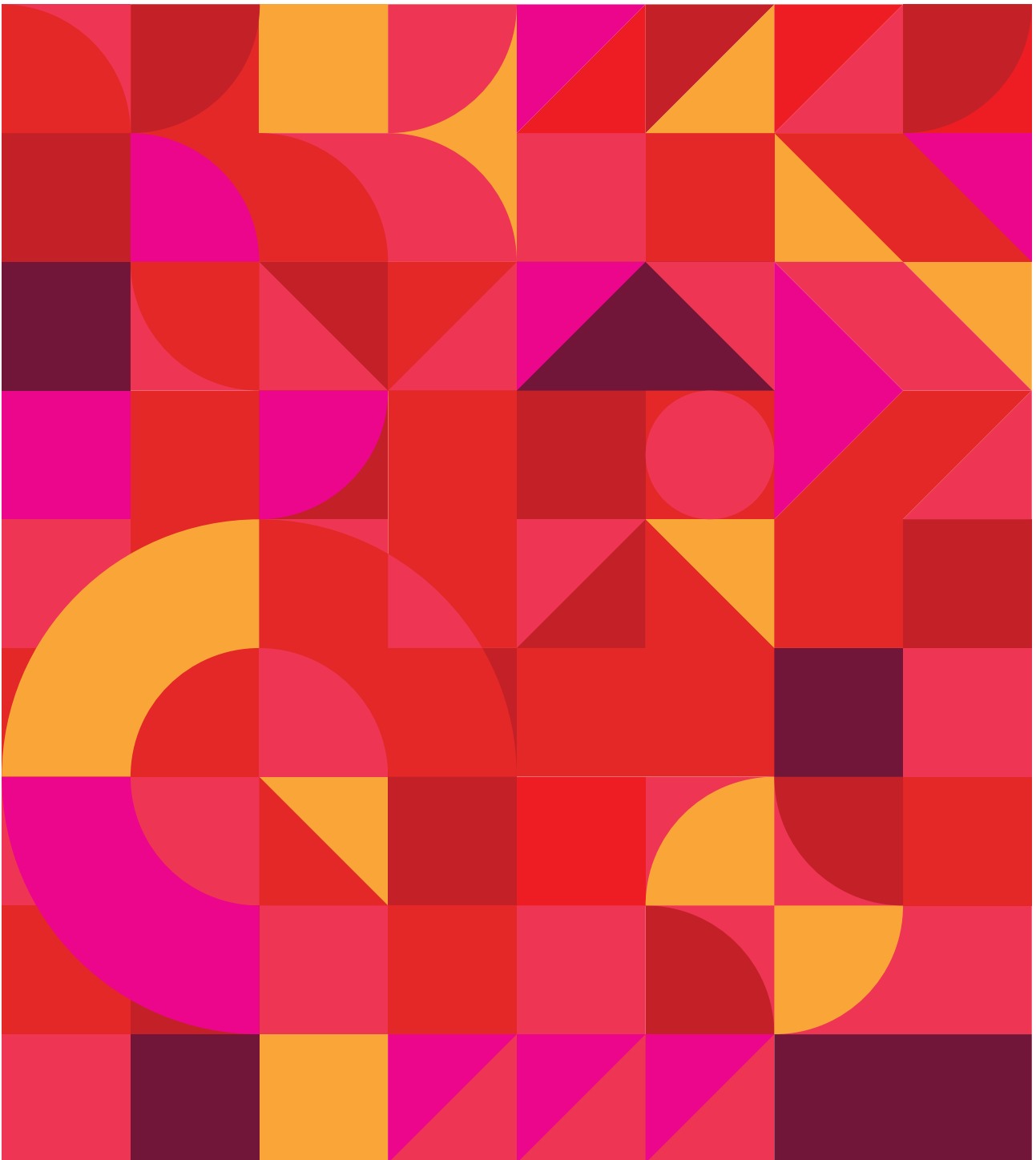


TARGETED TAX CHANGES TO GROW THE ECONOMY AND INVEST IN HEALTH





BACKING NEW ZEALAND: REWARDING WORK, CREATING WEALTH, AND PUTTING KIWIS' HEALTH FIRST

Labour knows New Zealand needs a strong, growing economy that rewards hard work and pays for the services people rely on.

The current tax system rewards property speculation instead of investment in a wider range of things that grow the economy, like our Kiwi businesses.

Labour will change that.

We'll introduce a simple, targeted tax on the profit made after 1 July 2027 when a commercial property or residential property (excluding the family home) is sold. Any gain from before that date won't be taxed.

Every dollar raised will be ring-fenced for our health system and will pay for three free doctor's visits for everyone. That means four in every five New Zealanders won't have to pay for a routine visit to their local general practice.

New Zealand cannot realise its potential, create jobs, or deliver the services we all deserve through property investment alone.

Our targeted capital gains tax will level the playing field for Kiwi businesses and innovation - helping grow wealth and create jobs.

Nine out of 10 New Zealanders do not own more than one property, or a commercial property, so they won't pay the tax. But every New Zealander will get three free doctor's visits a year with their new Medicard.

Labour is backing New Zealand's potential so people can build good lives here at home - with a more productive economy where hard work is rewarded and everyone can get ahead.

HOW IT WORKS - SIMPLE AND TARGETED

Right now, most profits from selling property are tax-free.

An investor can hold a property for more than two years, sell it for a \$250,000 gain, and pay no tax at all. Meanwhile, every dollar that a nurse or teacher, for example, earns is taxed. The tax system rewards property speculation over investment in a wider range of things that grow our economy, like our home-grown businesses.

What's included

There will be a 28 percent tax on any profit made after 1 July 2027 when a commercial or residential property (excluding the family home) is sold. Not a single dollar of profit made before 1 July 2027 will be taxed.

What is exempt

Everything else. Your family home (including lifestyle blocks) and farms will be tax-free. KiwiSaver, shares, business assets, inheritances, gifts, and personal items like cars, boats, art, and furniture are all exempt.

Where the money goes

Every dollar raised will be ring-fenced to provide all New Zealanders with better healthcare, starting with three free doctor's visits each year for all New Zealanders.

Why it works

It rewards work and productive investment, helps keep other taxes lower, and puts businesses that create jobs and innovation on a level playing field, rather than speculation on multiple properties.

What other countries do

New Zealand is one of the only countries in the world without some form of capital gains tax. Australia introduced a capital gains tax in 1985, and its economy and incomes have kept growing.





WHY A CGT - AND WHY NOW?

New Zealand's tax system currently rewards property speculation ahead of work and investment in innovative Kiwi businesses.

Too much of our national wealth is locked in investment properties instead of more productive parts of the economy that lift wages and drive innovation. That is one of the reasons why productivity in New Zealand has stagnated and families are falling behind.

Most people pay tax on every dollar they earn and on almost everything they buy, while profits from buying and selling investment properties are mostly untaxed.

Simple, targeted tax changes are part of Labour's plan to back our people and our potential, so our kids want to stay, put down roots, and build their lives here. These changes will help redirect investment into productive activity that lifts wages and supports the services we all rely on.

Designing the tax system to encourage productive investment is critical to building a future made in New Zealand. The revenue raised is essential so everyone can rely on local doctors and hospitals.

Right now, one in six New Zealanders avoid going to the doctor because of cost. Some general practice fees are heading towards \$100 a visit - and the reason that is happening is because of persistent government underfunding. When people can't afford primary care, they stay sicker for longer and end up in overcrowded emergency departments where they need more expensive care.

Every dollar raised from a targeted capital gains tax will be ring-fenced for health, starting with a new Medicard for every New Zealander that will provide three free doctor's visits each year. If the money raised from the tax allows, more free health services will be added.

Across the Tasman, Australia has had a capital gains tax for decades and treats rising wages, better conditions, and strong public services as signs of success. New Zealand should do the same. A future built here, with opportunities kept here.

Labour recognises that for many New Zealanders, owning a second property has been one of the few reliable ways to get ahead and build security for retirement. People have worked hard, saved carefully, and made responsible choices for their futures. **No tax will apply on the gains they have already made.**

Labour's plan rebalances the system to direct investment into productive Kiwi businesses, lift wages and productivity, and make it cheaper and easier to get care close to home.

THE DETAIL

Rate of capital gains tax

The tax will be set at a flat rate of 28 percent at the individual level, with no indexation for inflation. A low flat rate keeps the system simple and easy to apply, reducing complexity.

At the individual level this means each person is taxed on their share of any gain. For example, if two business partners each own 50 percent of an investment property and it is sold with a net gain of \$100,000, each partner pays 28 percent on their \$50,000 share.

What's covered

Commercial and residential properties only, excluding the family home. Everything else is exempt, including the family home (including lifestyle blocks), farms, KiwiSaver, shares, business assets, inheritances, and personal items such as cars, boats, furniture, art, and jewellery.

Who will be taxed

New Zealand resident individuals and entities will be taxed on any profit made after 1 July 2027 when a commercial or residential property (excluding the family home) is sold. This also includes taxing non-residents on income sourced from New Zealand.

Point of taxation

In most cases, the tax will be paid when a commercial or residential property (excluding the family home) is sold. There will be times when this is not the case, such as when there isn't a substantive change in ownership. For example, when an investment property is

transferred between life partners, the name on the title may change, but the receiving partner already effectively owned the same share.

The tax will also not be payable when a commercial or residential property (excluding the family home) is transferred to a person's spouse, civil union partner, or de facto partner. In situations where a property is transferred as a result of a marriage, civil union, de facto relationship ending or death, tax will not be paid when the property is transferred. If the property is sold in the future, and is taxable property, any tax will be based only on the increase in value since 1 July 2027.

Implementation

The capital gains tax is forward-looking and applies only to gains after 1 July 2027. The value of a commercial or residential property (excluding the family home) will be taken as at that date. Any increase in value before 1 July 2027 will not be taxed. Only gains made after 1 July 2027 will be taxed, and only when the property is sold.

For example, suppose a commercial building is bought on 1 July 2025 for \$400,000. On 1 July 2027 it is valued at \$600,000, and it is later sold for \$700,000. The tax applies only to the \$100,000 gain after 1 July 2027, not to anything before. Other countries such as Canada, the UK, and South Africa use this approach.

Example

Daniel owns his family home, a rental property and all the shares in his laundromat business, Wash Place Limited.

He bought the rental property for \$650,000 and on valuation day it was worth \$700,000. On valuation day, the laundromat was valued at \$1,100,000, with the building value making up \$800,000 of that. Daniel's business has been growing, so he has also bought new machines to handle the extra demand. The business is now worth \$1,400,000.

Daniel wants to retire and move into a retirement home. He decides to sell the assets. As Daniel's family home is excluded it is not taxed. The rental property has increased in value by

\$50,000 since valuation day and is sold for \$750,000. The tax is only applied to the \$50,000 gain.

When Wash Place Limited is sold, the business value needs to be separated from the commercial property valuation. The original value of the business was \$1,100,000 with the value of the building being \$800,000 of that. Although Wash Place sold for \$1,400,000, some of that gain is from the new washing machines, increased business revenue, and some of it is from the value of the commercial property.

The tax will only apply to the part of the sale price that reflects the increase in the value of the commercial property, not to gains from the business itself or new equipment.

How the gain is worked out

The tax applies only to net gains made after 1 July 2027. When owners sell, they can deduct what they paid to purchase the property and what they spent on improvements. The net gain is calculated as the sale price minus the purchase price (or the 1 July 2027 valuation, if applicable) minus eligible costs.

For example, if an investor bought a commercial property for \$1 million on 1 July 2027 and sold it for \$1.1 million on 1 July 2028 after making \$100,000 of improvements, they would pay no tax, because the increase in the sale price reflects improvement costs.

Valuation day

Commercial and residential properties (excluding the family home) will get an opening value on valuation day. Only the profit after that date can be taxed. When someone eventually sells, the taxable gain is simply what it was sold for minus the valuation day value (after allowed costs).

Different options will be available to assess the value of a commercial or residential property (excluding the family home), in line with the recommendations of the Tax Working Group.

Improvements

Expenditure incurred in acquiring a property would be deductible at time of sale. The costs of capital improvements are also deducted from the sale proceeds when calculating the net gain. There will be clear requirements to show the improvements have been made. As per the Tax Working Group recommendations, holding costs like rates and interest are not deductible from the capital gain.

Losses

If someone sells a commercial or residential property (excluding the family home) for less than what they paid for it (including improvement costs), they make a capital loss.

That loss can be carried forward and used to reduce future capital gains. Losses are ring-fenced, so they can only be used to offset gains from the same type of asset, not against salary or other income.

Treatment of capital gains on death

An inheritance will not be treated as a realisation event, so no tax is triggered at the time of death.

Example

Phyllis and Liam own their family home in Wellington with their five children, valued at \$900,000. They also own a holiday home in Northland, where Phyllis grew up, valued at \$600,000. The two properties are in both of their names.

When Liam dies, Liam's share of the properties is transferred to Phyllis. There is no tax to pay on this transfer.

When Phyllis dies, their five children cannot decide how to split the assets. They decide to sell both properties and split the proceeds.

As the assets are exempt on inheritance, there is no tax to pay when the assets are transferred to the executor. The two properties are valued when they are transferred. Both houses are sold within six months of the transfer.

The old family home is sold for \$1,100,000 and the holiday home for \$650,000. The five children split the \$1,750,000 between them. Because inheritances are exempt, they have no tax to pay.

All other tax technical details, other than what is covered in this document, will follow the recommendations of the 2019 Tax Working Group.

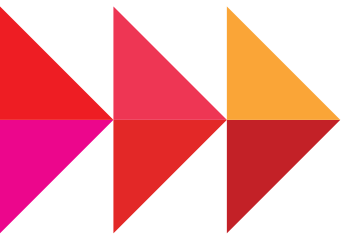
REVENUE

Revenue is projected to be small relative to GDP and total tax revenue. Revenue starts low and should generally increase over time.

The forecast revenue is based using the model developed by the 2019 Tax Working Group, with an updated asset base and assumptions.

It raises an average of \$700 million a year across the forecast period.

	2027/28	2028/29	2029/2030	2030 & outyears	Average
Revenue (\$m)	100	385	965	1,350	700



THE CHOICE

A targeted capital gains tax is how we help New Zealand realise its potential - growing wealth, creating jobs, and building a stronger economy for everyone. It will unlock investment for Kiwi innovation and small businesses and fund three free doctor's visits for all, so care is based on need, not income.

For too long, too much of our national wealth has been tied up in investment property. Property speculation won't build a long-term, high-wage economy with shared prosperity and good jobs that keep young people building their futures here at home.

Labour's aspiration for New Zealand is a country that backs its people and its own potential, a place where our kids want to stay, and build their lives.

A tax system that encourages investment into property speculation instead of Kiwi businesses is not doing its job. It should back the ideas and industries that create wealth and jobs. A well-designed tax system will help unlock investment for the productive economy.

Labour is serious about long-term growth.

Our New Zealand Future Fund will invest in infrastructure and innovative Kiwi businesses to create secure, well-paid jobs and grow wealth in every region. A targeted capital gains tax complements this by shifting investment toward productive assets, while every dollar raised strengthens our health system with three free doctor's visits for everyone.

Christopher Luxon said that his number one priority is to grow the economy. But instead, he's made it worse. While other countries are getting back on their feet, New Zealand is going backwards. His cuts and short-sighted policies shrank our economy by nearly a full percent in the three months to June 2025.

His only answer is to sell assets and open the door wider to overseas buyers. That's not a plan to build New Zealand's future, it's a plan to sell it off. We'll back New Zealanders instead, because our future should be built by New Zealanders, for New Zealanders.

A simple targeted capital gains tax is a way to direct investment into the productive economy, lift wages, keep other taxes lower, and deliver free doctor's visits.

A future made in New Zealand, by New Zealanders, for New Zealanders.

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