

RayWhite

Investment Information Guide







Welcome

Whether you own one investment property or many, there are numerous financial factors that can impact the return on your investment and its long term viability.

It's important for all landlords to understand these factors, not only to ensure their investment is performing at its best, but to help make educated decisions around their property investment future.

Financially speaking, landlords must now navigate an ever-changing environment of lending rules, loan-to-value restrictions, interest deductibility changes, and more. Professional advice and experience is now more valuable to landlords than ever before, whether that be from an accountant, mortgage broker, or financial advisor.

This guide is designed to provide an overview of the key factors that can impact financial performance in the residential property investment market, and to highlight for landlords where professional advice must be sought.



Contents

3

Welcome

6

Claimable Expenses

7

Expenses You Can Claim

9

Expenses You Can't Claim

10

Healthy Homes
Compliance Costs

11

Interest Deductibility

12

Airbnb vs
Long Term Rentals

14

Investment Property &
Ownership Structures

17

Why Property vs
Other Investments

18

Loan Market - Supporting
Better Investment Decisions

19

Home Office Expenses

20

The Bright-line Property Rule

21

Mixed-Use Assets

23

About Ray White



Claimable Expenses

Many landlords aren't aware of the variety of claims that can be made on the expenses related to owning and running an investment property. With continued changes to the cost of borrowing and the taxation landscape, it's now more important than ever for landlords to maximise the potential of their investment wherever possible.

Expenses You Can Claim



INSURANCE & RATES

You can claim back the full cost of insuring your rental property and the council rates associated with the ownership of the property.



INTEREST

The interest paid on any funds borrowed to buy or enhance a rental property can again be deducted from the property's rental income, reducing the owner's taxable income and lowering their overall tax liability.



PROPERTY MANAGEMENT FEES & COMMISSION

The fees or commissions paid to property managers managing a tenancy on your behalf are 100% claimable. If you manage the tenancy yourself and engage a property manager for specific services, you can also claim 100% of the expenses you incur for these services.

This means all Ray White services including our wraparound full tenancy management through to our Ray White Choice product range of casual letting, inspections, rent management and more are entirely claimable.



LOW VALUE ASSETS

If you purchase a low value asset for your rental property (\$1,000 or less) you can fully deduct the cost of that asset at the time of purchase, removing the need to depreciate the asset over its useful life.



ACCOUNTANT FEES

You can claim the fees charged by an accountant for:

- Your accounts to be managed
- Tax returns to be prepared
- Advice

However, you can't claim for any costs involved in the initial set-up of your rental property.



LEGAL FEES

Where your total legal fees for any given year are \$10,000 or less, you can claim a deduction for the legal expenses involved with buying a rental property.

If you're in the business of providing residential rental accommodation, you can also claim legal fees incurred when selling a rental property from your portfolio.

Note: We advise speaking to your chartered accountant to ensure you meet the criteria to be classed as being 'in the business'.



REPAIRS & MAINTENANCE

You can claim back the costs for any repairs to the property or general maintenance. However, if you're doing the work yourself you can only claim for materials, not your own time.

If the work is an improvement to the property rather than a repair, then you can't claim that cost as an expense.

Examples of repairs and maintenance you may be able to claim:

- Replacing a broken shower head
- Plastering and painting a crack in the wall
- Replacing a blown element in a hot water cylinder

Examples where maintenance may be classed as a capital improvement and cannot be claimed:

- Renovating a rundown property to significantly improve or alter it before renting it out.
- Undertaking work that significantly improves a property, e.g. removing a deteriorated wall and replacing it with a new bedroom space.

The distinction between repairs and improvements can be tricky. If you're unsure whether work done on your property is repairs or maintenance we suggest you talk to a chartered accountant.



BODY CORPORATE LEVIES

If your rental property is an apartment in a unit title development you may be able to deduct body corporate levies from your rental income, however, it depends on what the levied funds will be used for.

General levies like those used to pay for annual maintenance or administration (such as painting or insurance) will normally be deductible. Levies raised to pay for more significant capital improvements are not deductible.

In situations where an amount levied relates to general repairs and capital improvements, you must be able to reasonably determine the portion that relates to the repairs in order to claim a deduction.



DEPRECIATION

Depreciation is an allowance you can claim to cover the costs of wear and tear and general ageing of furniture and fittings you've bought for your rental property. You can combine assets worth less than \$5,000, rather than depreciating them separately.

You cannot claim depreciation on the property's land or buildings, however, this wasn't always the case. This is a complex area and for more information we suggest you speak with a chartered accountant.



OTHER

Other costs you may be able to claim include:

- Body corporate fees
- Fees for arranging a mortgage to finance a rental property
- Valuation fees
- Water rates (only if paid by the landlord)
- Gifts for tenants
- Travel associated with managing your property

You can't claim deductions for capital expenses, private expenses, or expenses that do not relate directly to your rental property.

Expenses You Can't Claim

You can't claim deductions for capital expenses, private expenses, or expenses that do not relate directly to your rental property.

Capital expenses are the costs of buying a capital asset or increasing its value: for example, the cost of buying the property and making improvements. Private expenses are things you buy or pay for that are for your own benefit rather than to generate rental income.

Expenses you can't deduct from your rental income in your tax return:

- The purchase price of a rental property
- Any principal portion of mortgage payments
- Interest on money you borrow for any purpose other than financing a rental property
- Costs associated with repairing or replacing any damaged part of the property if that work increases the property's value
- Real estate agent fees charged as part of buying or selling the property
- Your time when you do repairs and maintenance work



INITIAL COSTS

Any initial costs associated with finding an appropriate rental property, including the cost of checking the condition of a property before purchasing it e.g. a building report



REPAIRS OR UPGRADES TO A SUBSTANDARD INVESTMENT PROPERTY

You can't claim expenses incurred to bring a rental property up to the required condition necessary before it can be rented. This could be substantial repairs to an existing roof, or healthy homes compliance related work for items that didn't already exist at the property, e.g. installing a brand new underfloor moisture barrier.

For more detail on the claimability of healthy homes standard costs, see 'Healthy Homes Compliance Costs' on page 10.



GOODS & SERVICES TAX (GST)

GST is not charged on residential rent so this means you don't include rental income in your GST returns (if applicable).



OTHER EXCEPTIONS

If the property isn't rented for the full year: isn't occupied by tenants; isn't available to be rented out at any stage during the year; or is only available for rent for part of the year, then you can't claim the full year's ongoing costs such as rates, insurance and interest.



Healthy Homes Compliance Costs

The Healthy Homes standards have created specific minimum requirements for all New Zealand rental properties in respect of heating, insulation, ventilation, draught stopping, moisture ingress and drainage.

All rental properties in New Zealand must meet each of the five standards for Healthy Homes compliance.

Universal application of the standards and their requirements apply to all residential tenancies, i.e. even a long-standing, historic tenancy where no changes to the agreement have occurred must still comply.

If compliance work has not yet been completed, it's safe to assume most properties in New Zealand will need some form of work done to meet the standards and to prevent the risk of landlords incurring fines associated with non-compliance.

The ability to claim back any expenses incurred through healthy homes compliance work will vary depending on the existing condition of the property and what work needs to be done.

The rules around the tax deductibility of residential rental property expenses are, in theory, quite simple and the condition of the property on the day you acquired it establishes the benchmark.

Any subsequent expenditure incurred in getting the property back to that condition is a legitimate tax-deductible expense, but any spending on improving the property beyond the condition it was on that day is classed as capital improvements and is therefore non-deductible.

Examples:

Repairing a broken extractor fan that already exists to comply with the healthy homes standards is a claimable expense. Upgrading an existing extractor fan that is not powerful enough, or installing a new extractor fan where none existed previously would be a capital expense so that cost is not deductible.

Repairing an underfloor moisture barrier that has degraded over time would be classed as a repair and a claimable expense. Installing new underfloor moisture barriers that did not previously exist would be classed as a capital improvement so would not be a claimable expense.

If the healthy homes standards work required at your rental property is a mixture of upgrades, repairs and new installations, we recommend you speak with a chartered accountant to ensure you are complying with IRD requirements.

For more details on the specific healthy homes standards and what may be required at your property, please request a free copy of our Landlord Information Guide from your Ray White property manager.

Interest Deductibility

Interest deductibility refers to the ability of property owners to deduct the interest paid on their mortgage loans from their taxable income. It's a crucial element that can affect the viability of any investment property and an area of taxation that has seen ongoing changes.

Claiming interest as an expense for residential property in New Zealand has been phased back in. From 1 April 2024, you could claim 80% of the interest incurred for funds borrowed for residential property (regardless of when the property was acquired or when the loan was drawn down).

On 1 April 2025 interest deductibility was fully restored, and you are able to claim 100% of the interest incurred.

WHAT TYPES OF INTEREST COSTS ARE DEDUCTIBLE?

Landlords can deduct their interest costs if the lending is used for two key purposes:

- **Interest on loans for rental property purchase:** If you took out a loan to purchase a rental property, generally the interest on that loan is tax deductible.
- **Interest on loans for property improvement:** If a loan is taken specifically to make improvements to your rental property, the interest on that loan is also tax deductible in most cases.

IMPORTANT CONSIDERATIONS

The rules around interest deductibility still contain nuances that all landlords should be aware of and we recommend you seek professional advice, particularly if some of the following components relate to your property:

- **Other Exemptions:** There can be various other exemptions in place relating to interest deductibility, depending on the circumstances. These can include exemptions for property development, emergency housing, new build properties, and different ownership entities.
- **Loan Allocation:** If you have a mortgage covering both your rental property and personal use, you must correctly allocate the interest portions for each to ensure you only claim deductions for the interest related to your rental property.
- **When a property is sold:** The rules for disallowed interest deductions when a property is sold are remaining. This means, if the sale of a property is taxable under the bright-line property rule or 1 of the other land sale rules, the amount of the previously disallowed interest can be treated as if it were part of the cost of the property in the year you sell it.
- **Main Homes:** Your main home and place of residence remain unaffected by any interest deductibility changes, and you cannot deduct interest on a property used for private use.

GENERAL ADVICE

Interest deductibility can have a significant impact on the financial performance of your investment property and your overall tax costs. We recommend keeping detailed and accurate records of all transactions relating to any property-associated lending and seeking professional advice to achieve the best financial outcome for you.

Airbnb vs Long Term Rentals

Airbnb and similar platforms can be seen by some landlords as an alternative option to obtain income through their investment property rather than a more traditional residential tenancy.

Before considering this route of income generation, landlords must ensure they are aware of the tax implications that are possible, and that these may vary between regions.

If you are evaluating the pros and cons of short-term accommodation vs long-term tenancies as the main income method for your investment property, these implications are something you should investigate.

Many councils across New Zealand are considering, or have already implemented, new rates specifically for property owners who utilise Airbnb. As an example, properties under the jurisdiction of the Auckland Council have seen significant rate increases if used for Airbnb purposes, and increases that can wipe out the gains derived through this short-term accommodation method of generating income.

Whilst it may seem straightforward to rent a property on Airbnb, it is an equally straight forward process for the IRD and local council to monitor your activity in this space.

GST REGISTRATION REQUIREMENTS

Unlike long-term residential accommodation, short-term accommodation is a taxable supply for GST purposes, and landlords should be aware that once the property falls into the GST net there will be tax consequences.

A property will fall into the GST net if;

- Short-term rental income from the property (or multiple properties held in the same entity) exceeds \$60k. At this point the entity is obliged to register for GST.
- The entity that holds the rental property carries another taxable activity. If the combined income exceeds the \$60k threshold they will be obliged to register for GST.
- The entity is already registered for GST. In this case the short-term rental will become another taxable activity of the entity.
- The short-term rental income is below \$60k but the entity chooses to voluntarily register for GST.
- Please see next page for other important GST implications when utilising an online booking platform, such as Airbnb or Bookabach.

Once a property is in the GST net you can claim GST on the purchase price. However, specific rules prevent you from claiming this all at once.

If you sell the property or stop your short-term rental activity and deregister for GST you will be required to return 15% GST to the IRD on the sale of the property unless it is sold to another GST-registered taxpayer, in which case it would be zero-rated.

This effectively creates a tax on any capital gain while the property was owned, and could end up costing an owner more in GST than would have been made in profits from short-term accommodation.

GST REGISTRATION REQUIREMENTS

New rules have changed the GST treatment of short-stay accommodation when it is booked through an online platform, website, or app, that is operated by someone else e.g. you've listed your holiday home on Airbnb or Bookabach, etc.

Short-stay accommodation booked through an online platform will attract GST at 15%, regardless of whether or not you are GST registered. The platform operator (Airbnb etc) will be responsible for charging the GST, paying it to Inland Revenue, and then issuing a tax invoice back to the customer making the booking.

IF YOU ARE GST REGISTERED

- You must let the platforms you use know that you are GST registered.
- You will no longer need to account for GST at 15% when supplying accommodation that is booked through a platform.
- You must instead report these in your GST return as zero-rated supplies.
- You don't need to issue tax invoices to either the customer or the platform.
- You should still be entitled to claim GST on your costs in your GST return, as you have done previously.

IF YOU ARE NOT GST REGISTERED

- If you are not already required to be GST registered (income does not exceed \$60k etc), you don't need to register or account for GST - the platform will do this, and your property will not come into the "GST net" and become taxable on sale.
- You should still monitor whether your supplies reach the GST registration threshold, and if they do, you will need to register for GST and notify the platform of your change in GST registration status. If this occurs, the points above "If you are GST registered" will apply.

GENERAL ADVICE - ONLINE PLATFORMS

Due to the complicated relationship between short-term accommodation and its GST treatment, we recommend as a first step to seek professional advice as the cost involved could prove far more beneficial than getting it wrong. We also suggest the following:

- Check with the listing platform that they meet the IRD definition of these new rules, and seek their advice
- Where you collect the payment from guests directly, you may need to make a payment to the platform to cover their GST liability.
- If you are not GST-registered:
 - * Ensure the online platform holds the correct information (and your GST registration status is correct) so that you receive the flat rate credit.
 - * Review your pricing and consider the impact of this additional GST cost.
- If you are already GST registered:
 - * Notify the online platform of your GST registration status.
 - * Consider what processes will need to change (e.g. ensuring you disclose zero-rated supplies for bookings through platforms).

You should carefully consider your financial goals when assessing the viability of short-term accommodation vs long-term residential tenancies, as the reality may not be quite what it seems.



Investment Property & Ownership Structures

Picking the best ownership structure for your investment property is something that's often overlooked by prospective landlords, and for good reason. It's an area that is generally poorly understood without seeking professional advice. There are a number of benefits to picking a structure outside the common sole proprietorship/partnership model, e.g. owning it in your own name.

The following outlines the four main types of property ownership in New Zealand. Each provides a different mix of limited liability, compliance costs and tax efficiency.

Your own circumstances will be unique compared to another investor so the following information is intended as a guide only. We recommend that you seek appropriate professional advice before settling on any particular ownership structure for your rental property.



SOLE PROPRIETORSHIP/ PARTNERSHIP

This is the most common form of property ownership in New Zealand. Your investment property is owned personally, with no limitation on personal liability.

The another advantage of sole proprietorship is that minimal compliance costs are associated with this popular structure.



TRUST

Commonly known as a 'Family Trust', there are two main advantages to having your rental property owned by a trust.

Asset protection is the most obvious advantage as the beneficiaries of the trust don't actually own the assets held in trust. The trustees do so on behalf of the beneficiaries.

We recommend you seek professional advice from your lawyer about the finer points of trust law and asset protection if this is your intention. There have been recent changes in the trustee tax rate. From 1 April 2024



the trustee tax rate has increased from 33% to 39% to align with the top personal tax rate of 39%.

A trust can provide you with the tax benefit of income splitting, where you can transfer taxable trustee income to beneficiaries (limited to \$1000 per year for beneficiaries 16 years or under). The beneficiary will then pay tax on this income at their marginal tax rate, providing a tax advantage if their marginal rate is less than the trustee tax rate.

Landlords should seek professional advice before setting up a trust as the Trusts Act 2019 has implemented changes that can increase responsibility, compliance, and liability of all trustees so gaining expert advice in this area is encouraged.



COMPANY

An investment property under this structure enjoys the benefits of limited liability because it is a completely separate and distinct legal entity from its owners, but there are limitations to the tax efficiencies that can be applied.

Companies will attract higher compliance costs and there are some possible complications with capital gains when selling any property to related parties.

Capital gains can only be distributed, tax-free, upon the wind up of a company. This fact needs to be considered if you are planning on holding multiple rental properties in the same company.

One of the tax benefits that companies enjoy is the automatic deductibility of interest, regardless of the intention of the loan. This is in contrast with the other business structures outlined here, where interest is only deductible on loans that were originally taken out on the property.

Again, there are complications around taking out loans and drawing cash out of the company, and it is a very different situation when compared to the sole proprietor/partnership model.

We recommend seeking the professional advice of a chartered accountant about whether a company structure is right for your investment.



LOOK THROUGH COMPANY

This is the successor to the Loss Attributing Qualifying Company (LAQC). It's an ownership model that still benefits from the limited liability of a standard company structure, but with the added benefit of being far more tax efficient.

Taxable profits or losses (apart from residential property losses which are ring fenced) are passed straight through to its shareholders in proportion to their shareholdings, then tax is paid at their respective marginal tax rates.

This is a model that is less flexible in terms of tax when compared to the distribution options available to trusts, but compliance costs are generally lower than those of a trust.





Why Property vs Other Investments

Residential property has been a popular and rewarding investment choice for New Zealanders looking to get ahead, create wealth and secure their financial future.

While recent changes to the lending and taxation landscape have reduced some historically held benefits for investors, there are many reasons why residential property remains a hugely attractive investment choice.

INVESTMENT STABILITY: Despite all investments carrying some element of risk, investing in residential real estate is widely regarded as a low risk option, even leading to the well known saying 'safe as houses'.

Property is tangible and easy to understand, and its relative stability as an asset class cannot be ignored, similarly the long-term trends in capital gains echo the famously known quote -The only bad time to buy property is later.

DEMAND: Across almost all areas of New Zealand, we continue to see increasing levels of demand for the rental properties we have available. Ray White receives between 6,500 - 9,000 individual tenant applications every month, yet this translates to just 900 - 1,200 new secured tenancies, largely due to a lack of available rental stock.

Current net migration figures and the number of new arrivals coming to live in New Zealand add further to the predicted long-term demand for rentals. Without significant changes to the number of available rental properties, this demand will continue to place upward pressure on average rental prices.

LEVERAGE: It's important to understand the role that leverage plays when investing in residential property, being the ability to borrow the bulk of the cost of buying a property, and then pay this back over time. You can't do this with shares, currency or most other forms of investment as banks often see these as too volatile

Leveraging gives investors the ability to benefit from capital gains on the full purchase price of the property, not just the initial deposit made. Imagine the following example of how to use property for leverage vs other investments:

You buy an investment property for \$650,000 with a 20% deposit - possible with non bank lenders in the current LVR framework - and borrow the balance of \$520,000.

Fast forward five years, you sell the property and

achieve a sale price of \$910,000 (a roughly 8% annual increase in property value) - what has happened to your initial \$130,000 investment? It's doubled. Leveraging has allowed you to make a 100% capital return on your initial investment.

CAPITAL GAINS: While growth in property prices is not guaranteed, nor is it something anyone can perfectly predict, it's safe to say that over time statistical trends show the value of a residential property will consistently move upwards.

Illustrating this upward trend, although, in the year to March 2024, New Zealand house prices (Ex Auckland) decreased in value by 9% from their peak in February 2022, if you look at the 30 year period to March 2024 they have increased at an average rate of 6.85% per year, with Auckland showing a 7% increase for the same period. (Source: REINZ)

While there are many factors that influence an investor's achievable capital gains on rental property, it is of no doubt that residential property remains a secure long-term investment option that can provide real returns for the astute investor.

Landlords should always seek advice pertaining to their specific investment goals and needs, however, property investment provides much-needed housing for New Zealand tenants and allows landlords to reap the many benefits that remain vs other forms of investment.



Loan Market – Supporting Better Investment Decisions

A significant point of difference from our competitors, and one where Ray White provides real financial benefit to its investor clients, is through our sister company, Loan Market.

Loan Market is New Zealand's largest mortgage advice company, with more than 165 advisors settling over \$6 Billion in mortgages per annum, using the banks and lenders you know and trust.

Loan Market can provide landlords with expert advice on debt structures to ensure you're maximising the benefits of any investment lending, and help you obtain the very best finance terms available in the market. Utilising a Loan Market advisor can not only help you secure the best rates, but also remove much of the stress associated with arranging finance.

The benefits of Loan Market extend far further than assisting clients with their more traditional services and products such as home loans, refinancing, investment loans, land and construction loans, and bridging loans. In the ever-increasingly regulated lending space, seeking the right professional advice can help save you thousands, and this is where Loan Market can help.

There are many lending components that can impact an investor more significantly than an occupier-owner, and having the right advice on these issues can be crucial.

INTEREST RELIEF

Every investor's circumstances are unique, and these can often change - particularly where we may be operating in a high-interest environment or where a landlord's servicing capacity has been impacted. Some may be unaware of their abilities to seek short-term relief through a change in structure to interest-only lending, or even a change in their current mortgage term. A Loan Market advisor can quickly understand your position and often provide solutions to help make things more manageable or simply provide you with more options.

The Credit Contracts and Consumer Finance Act The CCCFA legislation places a duty on all lenders to scrutinise applicants' financial histories much more intensely. This means a landlord's financial activity can come under intense scrutiny: credit cards, personal loans, hire purchase agreements, and debts can all harm your application.

Our Loan Market advisers can talk you through it, and help you understand how to prepare for any finance application and increase your chances of being successful.

DEBT TO INCOME RATIOS

Most banks have introduced Debt to Income (DTI) ratios, setting borrowing limits tied to the borrower's income, severely impacting the amount of money you're able to borrow. Even investors who previously had no problem being approved have been caught out – and there's an awful lot for borrowers to get their heads around. The Loan Market team can help you understand your borrowing capacity through traditional lenders, but also the more flexible, and still secure, non-bank lending options.

LOAN TO VALUE RESTRICTIONS

LVR restrictions can limit a landlord's ability to grow their portfolio, however, exemptions do apply in some situations, such as purchasing a new build investment property. Loan Market can assist you in how to best leverage your current position, or how to plan for the growth of your portfolio working within the current restrictions.

To find out how Loan Market can help you achieve your financial goals, or if you simply feel it's time to seek professional advice and make the most of your investment portfolio, speak to one of our Ray White property managers, or visit loanmarket.co.nz





Home Office Expenses

Are you legitimately using part of your own home to run your rental business? If so, you can make a claim on some of your personal expenditure as a home office expense.

It's a simple calculation based on the proportion of your home used as a home office. Start by adding up the personal expenditure on your own home, e.g. rent or mortgage interest, rates, insurance for the year etc.

Work out the floor area of your home in square metres, as well as the area of this total that is occupied by your home office. Finally, divide the home office area by the total floor area. This is the percentage of your home expenses that can be claimed and offset against your rental income.

SQUARE METRE RATE OPTION

Instead of working out how much of your household expenses will be claimed, you can opt for the square metre rate option. This uses a rate

the IRD sets each year based on the average cost of utilities per square metre of housing for the average New Zealand household, which is then applied to the floor area size of your home office.

This rate does not include premises costs of mortgage interest, rates or rent, and you can also claim a portion of these based on the percentage of floor area used.

Be sure that you are actually using this space as intended. The IRD are known to conduct home office inspections at random.



The Bright-line Property Rule

The bright-line property rule exists to curb property speculation in the housing market and was implemented in an effort to help ease house price inflation. It means that if an investor sells a residential property within 2 years of buying it, any profit is treated as taxable income, not a tax-free capital gain.

THE CURRENT RULES

The 2-year period generally runs from the date you acquire the property (usually settlement) to the date you enter into a sale agreement. If you hold the property longer than 2 years, the bright-line rule typically no longer applies.

In practical terms, it's aimed at short-term investors or "flippers", where if a property is sold inside that 2-year window, the gain (sale price minus purchase price and allowable costs like legal fees or agent commission) is added to income and taxed at the marginal tax rate for that investor. That means the higher the income, the more tax you'll pay on any profit. From a cost perspective, it can take a significant chunk out of the upside, e.g. a \$200,000 gain could result in a tax bill of up to \$78,000 at the top 39% rate. There are some exemptions (see below), but for most investment properties, the rule is a key consideration when deciding how long to hold before selling.

BRIGHT-LINE EXEMPTIONS

The bright-line property rule doesn't apply to every property and is generally intended to capture tax on the sale of investment or additional properties only.

- **YOUR MAIN HOME:** The bright-line rule does not apply to your main home, and you can buy and sell your main home without paying taxes. As you can only have one main home any additional properties, such as a holiday home, would be included in the rule if it were sold during the relevant bright-line period.
- **INHERITED PROPERTY:** Generally speaking, the bright-line rule does not apply to inherited property, however, this is dependent on what happens next and your specific circumstances.

Due to the complicated nature of the bright-line property rule, different timeframes currently in place, and the circumstances that can affect the outcome (e.g. inherited properties), we recommend seeking professional advice to ensure you receive the latest information.



Mixed-Use Assets

This is an area investors should be aware of if their property is not used as a long-term residential tenancy, or where in any given year the property is used as both a residential tenancy and a short-term holiday rental, e.g. Airbnb.

Mixed-use asset rules apply to a property which is used for both private (by you, your family or associated people) and income-earning use in the same tax year. It must also be unused for 62 days of that year. These rules specifically exclude residential property used as a long-term rental.

You can opt out of these rules if your property earned less than \$4,000 in that tax year, however, you won't be able to claim any expenses against this property if you choose this route.

There are three types of expenses associated with a mixed-use property:

- You can claim 100% of expenses related to renting out your property. An example of this type of expense would be advertising the property for rent, or repairs to damage by tenants.
- You can't claim any expenses that relate to the private use of your property. e.g. boats or equipment that are locked away when renting the property out.
- Finally, expenses that can't be deemed private or related to renting out the property need to be apportioned. Generally this would include any interest on loans secured against the property, rates and insurance etc.

The easiest way to describe this is with the following example:

Paul owns a mixed-use property in Waihi. He used it privately for 32 days, as well as renting it out for 45 days. The expenses that can be apportioned totalled \$11,500.

Paul can claim \$6,721 of these expenses against his rental:

$$\frac{\$11,500 \times 45}{32+45} = \$6,721$$

There are more complicated rules at play around quarantining losses and what to claim if your property was sold during the tax year.

If this raises any questions for you around the use of your own investment property, we recommend you seek the advice of a chartered accountant.



All information contained in this document is of a general nature and is designed for landlords and investors to highlight the varying financial issues that may affect them.

Some of the topics discussed in this document are highly technical in nature. We recommend all clients seek professional advice before making any decisions or changes in respect of their own investment properties based on the content of this document.

Ray White does not take any responsibility for decisions made using the information in this guide as it is intended to be general in nature.

All information presented is correct at the time of printing (April 2026).

About Ray White

Ray White is a fourth-generation family business that has been operating for more than 120 years. Over that time, we've grown to become one of the largest real estate networks in the Asia-Pacific region, with hundreds of local teams working in towns, cities and regions across New Zealand.

While our network is large, our approach remains personal - we believe good homes and respectful tenancies start with clear communication, fair expectations and genuine care.

Across New Zealand, Ray White manages more than 23,000 rental properties, representing over \$18 billion in value. Each month, we help thousands of households move into homes and provide ongoing support to ensure they are safe, warm and comfortable. Because our teams are based locally, they understand the communities they work in and the things that matter to the people who live there.

Our commitment is to work in partnership with you throughout your tenancy, to provide guidance when you need it, and to ensure the responsibilities of both tenants and landlords are met fairly. We value respectful relationships and we are here to help make your renting experience positive and straightforward.

DID YOU KNOW

23,000⁺

Ray White manages more than 23,000 investment properties in New Zealand with an asset value of more than \$18 billion.

250,000

Ray White receives more than 250,000 enquiries each year from tenants who are looking to view our available rental properties.

4,000

New Zealand landlords entrust Ray White with over 4,000 new properties to manage on their behalf every year.

6,500

Ray White receives more than 6,500 completed tenancy applications for our rental properties every single month.

\$700 Million⁺

Ray White New Zealand facilitates the transfer of more than \$700 million in rent to landlords each and every year.



With staff spread from Kaitia to Invercargill - and everywhere in between, Ray White is one of the largest property management companies in New Zealand, putting you in touch with more tenants and offering more support than our competitors.

RayWhite.