

NOTE: To use these please copy and paste them into a word document and edit them from there to suit your business tone.

Please check the latest from the IRD here -

<https://www.ird.govt.nz/property/renting-out-residential-property/residential-rental-income-and-paying-tax-on-it/property-interest-rules>

Mortgage Rate Deductibility

We thought clarifying the recent changes to Mortgage Rate Deductibility might be helpful. We aim to address any confusion around these rates, and we're going to touch on the proposed changes to trust tax rates.

1. Mortgage Rate Deductibility

Effective immediately, landlords can claim a portion of their interest costs against rental income. The portion you can claim will be increased over the next two financial years.

Starting with 60% in 2024, 80% in 2025, and 100% by 2026. (these were correct when this was written but is subject to change)

These adjustments aim to support landlords amidst evolving tax regulations. While these changes are significant, their immediate impact on the property market may be limited. However, they signify positive steps toward enhancing landlord stability and market predictability.

For any inquiries or assistance navigating these adjustments, please contact your advisor.

2. Proposed Trust Taxation

The proposal involves changing how trusts are taxed starting from the 2025 income year. Here's a summary of the key points:

Threshold Introduction: A \$10,000 income threshold.

Tax Rates: Trusts with income under \$10,000 would be taxed at a rate of 33%. For trusts with income over \$10,000, a higher tax rate of 39% would apply to all their income.

Purpose: This change seems aimed at aligning the trust tax rate more closely with the top personal tax rate, potentially to ensure a fairer tax system and to address any disparities between different forms of income.

Implementation Year: The proposed changes are intended to take effect from the 2025 income year.

This has been at the top of many clients' minds, so we thought we would get this information out to you quickly. Remember, we're happy to discuss how these changes will impact you. Contact us at any time.