

QUESTIONS WE'VE BEEN ASKED | PĀTAI KUA UIA MAI

When is the bright-line start date for the 2-year bright-line test?

Issued | Tukuna: 9 May 2025

QB 25/11

This question we've been asked (QWBA) provides guidance on the bright-line start date, to work out whether residential land is potentially subject to the 2-year bright-line test.

Key provisions | Whakaratonga tāpua

Income Tax Act 2007 – ss CB 6A and FD 1

REPLACES (FOR DISPOSALS ON OR AFTER 1 JULY 2024):

- **QB 17/02:** Income tax – Date of acquisition of land, and start date for 2-year bright-line test

All legislative references are to the Income Tax Act 2007 (the Act) unless otherwise indicated

Question | Pātai

When is the bright-line start date for the 2-year bright-line test?

Answer | Whakautu

If you dispose of residential land within 2 years of acquiring it, the disposal may be subject to tax under the 2-year bright-line test in s CB 6A. The date the 2-year period starts is referred to as the “bright-line start date”.

In a standard land purchase, the bright-line start date is the date the title is transferred to you. But different start dates apply in other circumstances. Table | Tūtohi 1 shows the relevant bright-line start dates in different situations.

Note that the bright-line start date is usually different from the date of acquisition of land for the purpose of the other land sale rules in the Act.

Table | Tūtohi 1 – Bright-line start date

Circumstances	Bright-line start date
Standard purchase of land.	The date the land transfer to you is registered under the Land Transfer Act 2017.
Land held in a trust and there is a change of trustees.	The bright-line start date that the previous trustee had.
Land that results from you subdividing your land.	Your bright-line start date for the original undivided piece of land.
Land acquired on the completion of a land development or subdivision (ie, land bought off the plans).	The date you entered into the contract to acquire the land.
You have a freehold estate that was converted from a lease with perpetual right of renewal.	The date you were granted the leasehold estate.
Settlement of relationship property.	The bright-line start date that the transferor under the settlement had.

A joint tenancy converted to a tenancy in common, or vice versa.	To the extent your share or notional share in the land has not changed, you keep the bright-line start date you had for the land before the conversion.
A land transfer that changes your share in the land.	The land transfer registration date is the bright-line start date only for any additional share in the land you are getting. Your bright-line start date for the share in the land you owned before does not change.
Land outside New Zealand.	The date the land transfer to you is registered under any overseas law similar to the Land Transfer Act 2017.
Where the title is not registered to you before your bright-line end date. [Your bright-line end date is the earliest of the date you have an agreement to dispose of the land or the date you in fact dispose of it.]	The date you acquired an estate or interest in the land under s CB 15B. This is the same date you are regarded as acquiring land for the purposes of the other land sale rules in the Act, as explained in QB 25/10 .
Land transferred to you from an associated person, where the requirements for rollover relief are met (see from [19]).	The bright-line start date that the transferor had.
Land for which other rollover relief is available. This may be relevant for transfers involving Māori trusts or land included in a settlement of a claim under the Treaty of Waitangi.	The bright-line start date that the transferor had.

Explanation | Whakamāramatanga

1. The 2-year bright-line test in s CB 6A may apply to tax gains from the disposal of residential land if your “bright-line end date” (which, for typical land sales, is the date you enter into an agreement to sell or dispose of the land)¹ is within 2 years of your “bright-line start date”.

¹ Section CB 6A(4).

2. You need to identify when the 2-year period for the bright-line test in s CB 6A starts (the “bright-line start date”), so you can determine if the disposal of your land may be taxed under the bright-line test. Note that in some situations, even if you dispose of the land within the 2-year period, the bright-line test will not apply – for example, if you satisfy the main home exclusion (s CB 16A).
3. The current 2-year bright-line test potentially applies only if:
 - none of the land sale rules in ss CB 6 to CB 12 apply; and
 - you dispose of the residential land on or after 1 July 2024.
4. Other bright-line tests, which vary from 2 to 10 years, may apply to land disposed of before 1 July 2024. The start date for those old bright-line tests is generally the same as the bright-line start date for the current 2-year test, but not in all situations. This question we’ve been asked (QWBA) concerns only the current 2-year test.
5. The date of acquisition for the purposes of the other land sale rules in the Act is often different from the bright-line start date. See [QB 25/10: On what date is a person treated as acquiring land for the purposes of the land sale rules?](#) for more information on working out the date of acquisition for the purposes of the land sale rules generally.
6. This QWBA does not contain examples, but the examples in [QB 25/10](#) state the relevant bright-line start date as well as the date of acquisition.

In a standard land purchase, the bright-line start date is the date the land transfer to you was registered

7. In a typical land purchase, the 2-year period starts when the land transfer to you was registered under the Land Transfer Act 2017 and you acquired the legal title. This occurs on the settlement date in almost all cases.
8. However, there are exceptions to this usual rule that change your bright-line start date (as Table | Tūtohi 1 above shows). The following briefly explains the other possible bright-line start dates set out in the table.

Exceptions to the standard bright-line start date

Change of trustee

9. Transfers due to a change in trustee do not affect the original bright-line start date. This means that when a trustee of a trust transfers land to another trustee of the trust

due to a change in trustees, the bright-line start date remains the same as the original trustee's bright-line start date.

Subdivided land

10. If you subdivide land, your bright-line start date is the start date you had for the undivided land. It does not matter that new titles may be issued.

Land bought off the plans

11. If you acquired land on completion of a land development or subdivision (ie, you purchased off the plans), your bright-line start date is the date the sale and purchase agreement was entered into. It is not the date the transfer to you was registered, after the development or subdivision was completed.

A freehold estate converted from a lease with a perpetual right of renewal

12. If you had a lease with a perpetual right of renewal that was converted into a freehold estate, your bright-line start date is the date the original leasehold estate was granted to you.

Settlement of relationship property

13. Under s FB 3A, when residential land is transferred on a settlement of relationship property, the bright-line start date for the transferee is whatever the transferor's bright-line start date was.

Conversion of joint tenancy to tenancy in common (or vice versa)

14. A joint tenancy is when the owners of land do not have divided shares in the land. A tenancy in common is when each owner has a divided share of the land that is recorded on the record of title. If you have a joint tenancy and convert this ownership to a tenancy in common, or vice versa, you do not get a new bright-line start date because of the conversion, except to the extent (if any) that your share (or notional share) of the land changes.

A change in your share of the land

15. Under s CB 6A(3), if a transfer of land changes your share in a piece of land, the transfer registration sets the bright-line start date only for any new share in the land you are getting. The bright-line start date for the share in the land you had before does not reset.
16. This means, for example, if two people each have a 50% share in land, and one of them (Person A) buys the other person's (Person B's) share, Person A's bright-line start date for their original 50% share does not change, but their bright-line start date for the new 50% share is the date the title is transferred from Person B.

Land outside New Zealand

17. For land outside New Zealand, your bright-line start date is the date the land transfer was registered under any overseas law similar to the Land Transfer Act 2017.

The title is not registered to you before your bright-line end date

18. A special rule applies if your bright-line end date² for the land occurs before the land transfer to you is registered. In this situation, your bright-line start date will be the date you acquired an estate or interest under s CB 15B, which sets out when land is acquired for the purposes of the other land sale rules in the Act. As noted in Table 1, [QB 25/10](#) provides guidance on the date of acquisition for the land sale rules generally.

Land transferred to you from an associated person, where rollover relief is available

19. In addition to the bright-line start dates covered in Table | Tūtohi 1, s FD 1 modifies the bright-line start date for disposals of property in certain circumstances. This is one aspect of what is referred to as "rollover relief" from the bright-line test.
20. Rollover relief covers disposals between associated persons in certain circumstances. This applies if the transferor and transferee have been associated under any of ss YB 2 to YB 13 for at least 2 years at the date of transfer.

² As noted at [1], for typical land sales, this is the date you enter into an agreement to sell or dispose of the land.

21. Two individuals are associated if, for example, they are married or in a civil union or de facto relationship, or are within two degrees of blood relationship.³ Other relevant types of association include a trustee and a beneficiary of the trust, or a person and a company for which the person has a voting or market interest of 25% or more.⁴
22. Rollover relief also applies to a transfer to a trustee of a trust if all beneficiaries are associated with the transferor and have been for at least 2 years. This ensures rollover relief can apply where land is settled on a new family trust. The requirement to have been associated with the transferor for at least 2 years does not apply to persons under 2 years of age or those who have become associated with the transferor due to marriage, civil union, de facto relationship, or adoption. In those situations, the person must have been associated with the transferor since birth, marriage, civil union, de facto relationship, or adoption (as applicable).
23. If s FD 1 applies, one of the consequences is that the transferee's bright-line start date is whatever the transferor's bright-line start date was. However, the following transitional rules apply if the transferor acquired the land before 1 July 2024:
- If the transferor acquired the land before 27 March 2021, the bright-line start date the transferee takes on is 27 March 2021.
 - If the transferor acquired the residential land before 1 July 2024 and on or after 27 March 2021, the transferor's bright-line acquisition date is the date that the transferee takes on as their bright-line start date. This means if the transferor received rollover relief under an earlier bright-line test, the benefit of any earlier rollover relief continues under the current bright-line test.
24. For more information about rollover relief under s FD 1, see [QB 25/15](#): **How do the bright-line rollover relief provisions apply to transfers of residential land between associated persons?**

³ This includes being within two degrees of relationship with a person's spouse or partner: s YB 4(1). There is an exception if the individuals cannot reasonably be expected to know the other person exists or is a close relative.

⁴ Sections YB 6 and YB 3 respectively.

Land transfers involving Māori trusts, where rollover relief is available

- 25. Section FD 2 also provides rollover relief for disposals into Māori rollover trusts, between Māori rollover trusts if the beneficiaries of both trusts are the same, and disposals out to a settlor of the trust in limited circumstances.⁵
- 26. “Māori rollover trust” is defined in s FD 2(6) as a trust in which a trustee is a “Maori authority” or eligible to elect to be one, and all beneficiaries of the trust are members of the same iwi or hapū, or descendants of the same tipuna, and the land is subject to Te Ture Whenua Maori Act 1993.
- 27. If s FD 2 applies, one of the consequences is that the transferee’s bright-line start date is whatever the transferor’s bright-line start date was.⁶

Transfers of land included in a Treaty of Waitangi settlement, where rollover relief is available

- 28. There is also rollover relief available under s FD 3 for certain transfers of residential land included in a settlement claim under the Treaty of Waitangi, if the transfer is to a trustee of a trust that is or is eligible to be a Maori authority.
- 29. If s FD 3 applies, one of the consequences is that the transferee’s bright-line start date is whatever the transferor’s bright-line start date was.⁷

Nominations

- 30. In a situation where the named purchaser nominates someone else to complete the purchase, the bright-line start date for the nominee is the date the transfer of title is registered to them, just like in a typical land transaction. If there is no registered transfer of the land to the nominee on or before the date they sell or dispose of the land, the 2-year period will start on the date they were nominated as purchaser.

⁵ The settlors must have originally transferred the land to the trustee, they must be beneficiaries of the trust, and they must have acquired the same amount of land back as they transferred in (or at least the same proportion if one of the settlors has died).

⁶ If the transferor acquired the land before 1 July 2024, their bright-line acquisition date is treated as a bright-line start date.

⁷ If the transferor acquired the land before 1 July 2024, their bright-line acquisition date is treated as a bright-line start date.

31. The nomination of someone else as purchaser does not give rise to any potential bright-line implications for the nominator (the original named purchaser).⁸ This is because the nominator does not transfer their interest in the land to the nominee when they make the nomination – there is no disposal. When the legal title transfers to the nominee, the nominator's interest in the land simply ceases to exist, it is not disposed of. This is similar to the lapsing of an option to acquire land, which has been considered by the Taxation Review Authority not to be a disposition of land (*Case M4* (1990) 12 NZTC 2,021 (TRA)).

Acquiring land for a company to be formed

32. There are no bright-line test implications for a person who acquires land on behalf of a company yet to be formed where the company subsequently ratifies the contract for the acquisition of the land. This is because s 182 of the Companies Act 1993 allows for ratification of pre-incorporation contracts, and at common law an effective ratification constitutes the relationship of principal and agent retrospectively.⁹ This means that the person who acquired the land on behalf of the company yet to be formed has not themselves acquired (and subsequently disposed of) a land interest.
33. The company's bright-line start date is the date the instrument to transfer the land to the company is registered on settlement.

Look-through companies

34. Because look-through companies are transparent for most income tax purposes, there are various transactions that involve an LTC that give rise to different bright-line issues and bright-line start dates. Interpretation statement [IS 25/15: Look-through companies and disposal of residential land under the bright-line test](#) considers the application of the bright-line test to different scenarios concerning LTCs, and outlines the relevant bright-line start dates.

⁸ This only applies to true nominations. In some situations, what is described as a nomination may be, in fact, an assignment of contractual rights. See [QB 25/10](#) for more information about different types of nomination and assignments of contractual rights.

⁹ See further in this regard: *Laws of New Zealand Agency* (online ed, accessed 5 February 2025) from [42].

References | Tohutoro

Legislative references | Tohutoro whakatureture

Companies Act 1993, s 182

Income Tax Act 2007, ss CB 6A, CB 6 to CB 12, CB 15B, CB 16A, FD 1 to FD 3, YB 2 to YB 13

Land Transfer Act 2017

Case references | Tohutoro kēhi

Case M4 (1990) 12 NZTC 2,021 (TRA)

Other references

Stephen Kós (ed) *Laws of New Zealand Agency* (online ed, accessed 5 February 2025)

QB 25/10: On what date is a person treated as acquiring land for the purposes of the land sale rules?

taxtechnical.ird.govt.nz/questions-we-ve-been-asked/2025/qb-25-10

QB 25/15: How do the bright-line rollover relief provisions apply to transfers of residential land between associated persons?

taxtechnical.ird.govt.nz/questions-we-ve-been-asked/2025/qb-25-15

IS 25/15: Look-through companies and disposal of residential land under the bright-line test

taxtechnical.ird.govt.nz/interpretation-statements/2025/is-25-15

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