

Hon Grant Robertson
Hon Megan Woods
Hon David Parker

Via email

8 July 2021

Dear Ministers

Tomorrow Property Council New Zealand will submit on the Government's proposed changes to interest deductibility rules. A copy of that submission will be forwarded to your offices.

In our view, the changes proposed in the consultation document do not provide the level of certainty developers need to build more houses in New Zealand. They complicate a system which allows legitimate claims for interest deductions, and creates complex exemptions and rules which incentivise potential loopholes which do not help add supply to the market.

Build-to-Rent (BTR) has been a big focus of ours, and we thank the Government for their work to date on working through with the sector on reducing barriers to BTR developments. But let us be clear – your proposed changes will be a massive barrier to BTR developments occurring at scale and pace. Not only is there not enough certainty regarding how interest deductibility will work in the second hand market, but without a specific exemption investors will be reticent to invest.

If the Government is serious about BTR as a prospect for helping solve the housing crisis, it will adopt our key recommendations which will allow BTRs full potential to be unleashed.

Rather than disincentivise flipping and speculating, the changes will disincentivise legitimate new supply coming onto the market and will stifle the Government's objectives of building more houses.

We recommend the Government does not adopt the proposed changes to interest deductibility rules and instead focus on changes to the Overseas Investment Act to unleash BTR, reforming planning laws, allowing councils to free up more land, support the development of local infrastructure and reduce costs and red tape on new supply for New Zealand homes.

Yours sincerely



Leonie Freeman
Chief Executive Officer
Property Council New Zealand