Housing package detail

- **$3.8 billion fund to accelerate housing supply in the short term**
- **More Kiwis able to access First Home Grants and Loans with increased income caps and higher house price caps in targeted areas**
- **Bright-line test doubled to 10 years with an exemption to incentivise new builds**
- **Interest deductibility loophole removed for future investors and phased out on existing residential investments**
- **Govt to support Kāinga Ora to borrow $2 billion extra to scale up at pace land acquisition to boost housing supply**
- **Apprenticeship Boost initiative extended to further support trades and trades training**

$3.8 billion fund to develop 'build-ready land' for housing projects

The $3.8 billion Housing Acceleration Fund will jump-start housing developments connecting land with infrastructure.

Local government and developers have told the Government that investment in infrastructure is one of the most important contributions the central government can make to increase housing supply.

Large scale building projects need critical infrastructure investment to get going. This fund will help green light developments that face infrastructure bottlenecks and might not otherwise progress.

The Fund will be a mix of contestable funding for infrastructure projects across the country and support to ramp up delivery in Large Scale Projects, which are already providing a mix of public, affordable and mixed housing.

The Government expects local councils to play their part by opening up land and enabling intensification, particularly through the implementation of the National Policy Statement on Urban Development.

The Fund is not about the Government doing everything itself. It is committed to building on existing relationships in urban and regional areas, and working alongside local government, the private sector, iwi and Māori, and the not-for-profit sector to meet New Zealand's housing needs and affordability issues.

More Kiwis able to access First Home Grants and Loans with increased income caps and higher house price caps in targeted areas

First Home Products consist of the First Home Grant and the First Home Loan. The products are designed to support first home buyers.

The eligibility criteria for the First Home Loan are the same as the First Home Grant except you don't need to be a KiwiSaver member to receive a first home loan.

The First Home Grant is up to $5,000 for existing properties, or up to $10,000 for new properties. People buying together can also combine their First Home Grants to put towards the purchase of the same property.

In 2019 the Government changed the rules so people only need a 5% home deposit before they can apply for the help. Today that is being expanded to ensure more people are included.

Income caps to get financial assistance will be lifted from $85,000 to $95,000 for single buyers, and from $130,000 to $150,000 for two or more buyers. The changes to the house price and income caps will take effect on 1 April 2021.

The changes to the regional price caps on new build and existing properties will also reflect the increased price of housing.

On 1 April 2021, the First Home Grant and First Home Loan house price caps will be:

Region	Existing Property Cap	New Property Cap
Auckland	$625,000	$700,000
Queenstown-Lakes District	$600,000	$650,000
Wellington City, Hutt City, Upper Hutt City, Porirua City, Kāpiti Coast District	$550,000	$650,000
Nelson City, Tasman District, Tauranga City, Western Bay of Plenty District, Hamilton City, Waipā District, Hastings District, Napier City	$525,000	$600,000
Christchurch City, Selwyn District, Waimakariri District	$500,000	$550,000
Waikato District, Dunedin City	$425,000	$550,000
Rest of New Zealand	$400,000	$500,000

Extending the Bright-line Test

The typical house in New Zealand is owned for 7-8 years. Extending the bright-line test for existing properties beyond this mark will capture more speculative investment while protecting investors who want to hold on to a property as part of their retirement plan.

The bright-line test does not and will not apply to the family home.

People who own a rental property as a nest egg for their retirement are typically people who own the property for a long period of time - because it's a long-term retirement investment, not a short term speculative investment.

There will always be a place for property investment in New Zealand.

But we can make choices as a country as to how we want property investment to support our goals of providing suitable rentals while making sure first home buyers aren't over-run by competition from speculators.

To support our goal of increasing supply, we will keep the bright-line test for new build investment properties at the current five years.

This will encourage more houses to be built. This also supports our goal of ensuring good quality rentals, as new homes need to be built to specifications so they are warm and dry.

We are also taking the opportunity to tidy up the rules around change of use of homes and short stay accommodation with regards to the bright-line test.

Proposed changes to the bright-line test will be passed into law via the Annual Rates Bill currently before Parliament. It will apply to property acquired on or after 27 March 2021.

Removing Interest Deductibility

Property investment is often heavily funded through large mortgages, with investors allowed to write off interest costs against the income they make from the property. However, people who live in their own home can't do this.

Closing this loophole will level the playing field for first home buyers. To achieve this, Cabinet has agreed to remove the ability for property investors to offset their interest expenses against their rental income when they are calculating their tax.

The full removal of interest deductibility from 1 October 2021 will apply to all investment properties other than potentially new builds - purchased on or after 27 March. This draws a line in the sand.

Cabinet has also agreed that removal of deductibility will be phased in over four years to all existing investment properties to give owners the time to adjust to the removal of the loophole.

None of these changes affect the family home.

Cabinet will consult on a number of detailed aspects of closing the interest deductibility loophole.

Consultation will also cover the exact details of exempting new builds from this tax change.

Govt to support Kainga Ora to borrow $2 billion extra to begin land acquisition programme

The Kāinga Ora Land Programme for strategic land purchases will increase the pace, scale and mix of housing developments (including more affordable housing).

This is critical to increasing new supply, including affordable homes. Currently the release of land is too slow at prices that are too high for most developers to build affordable housing or at the pace it is needed.

Apprenticeship Boost initiative extended to further support trades and trades training

The Government is extending the Apprenticeship Boost initiative by four months to further support trades and trades training.

Through Apprenticeship Boost, employers can access a subsidy of $1,000 per month for first year apprentices and $500 per month for second year apprentices. This support ensures apprenticeship training is available across all regions and industries.

Since launching in August 2020, more than 10,000 employers have signed up and received almost $97 million in subsidies for more than 21,000 apprentices.

Apprenticeship Boost is being taken up by employers across New Zealand, with 26 percent of apprentices in Auckland; 34 percent in Canterbury, Wellington, and Waikato; and the remainder in other regions.