

Bright-Line Rollover Relief Checklist

A practical working checklist for property owners, trustees, and advisors reviewing a bright-line rollover relief transfer.

Rollover relief can allow certain property transfers — between associated persons, into or out of trusts, or as part of an LTC restructure — to occur without triggering an immediate bright-line tax event. But relief is conditional, and the original acquisition date and cost base typically carry over to the new owner. Use this checklist to work through the key checks before a transfer is signed. This is a general guide only and does not replace specific advice for your situation.

1 Associated-Person Review Worksheet

- Confirm the transferee is genuinely an “associated person” under the relevant test (companies, trusts, and relatives of the transferor each have different tests)
- Document the nature of the association (spouse/partner, relative, trustee/beneficiary, company shareholding)
- Check whether the two-degrees-of-association rule captures the transfer
- Record the date the association began (relevant if association status changed shortly before transfer)
- Confirm no consideration is paid in excess of what rollover relief permits

2 Trust Transfer Checklist

- Identify whether the transfer is to/from a trust where the transferor (or an associated person) is a beneficiary
- Confirm the trust deed permits the proposed distribution or transfer
- Check settlor and beneficiary records match the continuity-of-ownership position expected by Inland Revenue
- Retain trustee resolutions authorising the transfer
- Confirm whether the trust has previously used the main home exclusion (this can affect eligibility going forward)
- Note the original acquisition date carried over to the trust for bright-line purposes

3 LTC Restructuring Checklist

- Confirm the property is being transferred between an LTC and its look-through owners (not to an unrelated third party)
- Check owners' effective look-through interests before and after restructuring
- Confirm the restructure does not inadvertently change the effective ownership percentage in a way that could taint rollover treatment
- Retain LTC election/revocation documentation
- Document commercial reasons for the restructure (useful if Inland Revenue raises queries)

4 Main-Home Exclusion Review

- Confirm how much of the property's ownership period qualified as a main home
- Check whether the property was used mainly for another purpose during any period (this can reduce or eliminate the exclusion)
- Review the main-home test carefully where more than one property is involved
- Confirm whether rollover relief affects the start date used for future main-home calculations
- Check whether the frequent-sales exclusion rule could apply despite an otherwise valid main-home claim

5 Bright-Line Inherited-Date Tracker

- Record the original acquisition date (not the transfer date) that carries forward under rollover relief
- Note the bright-line period that applied at the time of original acquisition (2, 5, or 10 years, depending on purchase date)
- Track the countdown to bright-line expiry using the inherited date, not the transfer date
- Flag upcoming expiry dates for client review well in advance of any future sale
- Cross-check inherited dates against LINZ title records and the original sale and purchase agreement

6 Questions to Ask Before Signing Transfer Documents

- Does this transfer actually meet a recognised rollover relief category, or will it be treated as a standard disposal?
- Has this same relief been used before for this property (some categories only apply once)?
- Will the transfer trigger GST, gift duty considerations, or relationship property issues alongside bright-line?
- Is there any risk Inland Revenue could view the transfer as part of a wider arrangement designed to avoid bright-line tax?
- Have you obtained written confirmation of the inherited acquisition date and cost base?
- Who is responsible for tax if a future sale within the bright-line period generates a taxable gain?

Need help applying this to your situation? Bright-line rollover relief involves several overlapping tests, and getting the inherited acquisition date wrong can create an unexpected tax bill years later. EpsomTax.com works with New Zealand property investors, trustees, and family groups to review transfers before they are signed.