staircase

HOUSING COMPASS CASE STUDY

Labour's capital gains tax

Does the policy do what Labour says it will do?

CLAIM	LABOUR SAYS	VERDICT	WHY, IN ONE LINE
1	**Money moves into businesses**	NO	Selling is taxed; holding until death is not.
2	**It pays for the doctor's visits**	PARTLY	Revenue only arrives when investors sell, and the design rewards not selling.
3	**Fewer investors bid against first home buyers**	PARTLY	True for existing homes, but fewer homes come up for sale.
4	**Rents will not go up**	UNTESTED	Probably true for existing rentals; Labour hasn't looked at new ones.

Four changes would point the tax at Labour's own goal (page 10). The result can be measured in 2028, 2030 and 2032 (page 13).

Kieran Trass
Staircase Property Group

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CONTENTS

01 The policy as written 2

02 What Labour says it will do 3

03 What the policy touches 4

04 Who wins and who loses 5

05 Does it do what Labour says? 6

06 What happened in Australia 9

07 What would get it closer 10

08 How we'll know 13

09 Sources, about the author, disclaimer 14

HOW TO READ THIS

The Compass tests a policy against its proposer's own goals. In this report, that is Labour's. It is not a verdict on whether the tax is right or wrong, and it is not a forecast.

1 What is it for Pages 2–3

2 What does it touch Page 4

3 Does it do what Labour says Pages 6–8

SECTION 01

The policy as written

From the Labour policy page and policy document, both read 8 October 2026.

01 **Rate:** 28% on the gain, flat, charged to each owner on their share, not adjusted for inflation.

02 **Covered:** residential investment property and commercial property, when sold.

03 **Exempt:** the family home (including lifestyle blocks), farms, KiwiSaver, shares, business assets, inheritances, gifts and personal items.

04 **Start:** only gains made after 1 July 2027. Every covered property gets a starting value on that day, its rateable value by default or a registered valuation if the owner prefers.

05 **Death is not a sale.** No tax is paid when a property passes to a partner or to heirs.

06 **Costs:** the purchase price and improvements come off the gain; rates and interest do not. Losses carry forward against future property gains only.

07 **Small business:** a small business that sells its premises to buy bigger ones pays no tax. This appears on the web page, not in the policy document.

08 **Where it goes:** every dollar goes to health, starting with three free doctor's visits a year for everyone.

SECTION 02

What Labour says it will do

Labour makes four claims, and only one comes with a number. This report numbers them as the four claims, and every later page uses those labels.

1

CLAIM 1: STATED OUTRIGHT

Move money out of property and into businesses

Labour says “too much of our wealth is locked in property” and the tax will unlock investment for businesses, innovation and jobs.

LABOUR'S OWN MEASURE — None given

2

CLAIM 2: STATED OUTRIGHT

Pay for three free doctor's visits a year

The policy document says “every dollar raised will be ring-fenced for our health system”, and gives a revenue forecast.

LABOUR'S OWN MEASURE — **A revenue forecast; see Claim 2, page 7**

3

CLAIM 3: IMPLIED

Fewer investors bidding against first home buyers

The web page's answer on house prices calls fewer investors bidding against first home buyers a good thing.

LABOUR'S OWN MEASURE — None given

4

CLAIM 4: A PROMISE

Rents will not go up

Labour says rents will not go up, because rents are set by supply and demand, not by a tax paid years later on sale. That is a testable statement and the Compass treats it as one.

LABOUR'S OWN MEASURE — None given

Where Labour gave no measure, the Compass names one. All the measures and when they are read are on page 13.

WHAT THE COMPASS DOES NOT HOLD LABOUR TO

Labour has not promised to build more homes, lower house prices or raise home ownership. The report does not test the policy on any of those.

SECTION 03

What the policy touches

The Compass scores seven parts of the housing system. North is not one of them: it is the test itself, on pages 6 to 8. A capital gains tax touches four of the seven and has no reason to touch the other three.



- Lit: the policy as written changes something here
- Grey: out of scope, not failure
- North: the test

Grey is scope, not failure. A capital gains tax has no reason to touch construction. The reason to show the grey directions is so a reader can see how much of the housing system one lever leaves alone.

Figure 1. The Housing Compass for Labour's capital gains tax, from the policy as written.

N	**Consequences testing**	The test	Pages 6–8
NE	**Macroprudential**	Lit	Borrowing for capital gain pays less once the gain is taxed.
E	**Deliverable supply**	Lit	A new rental is taxed like a 1970s one. See Claim 4.
SE	**Construction productivity**	Grey	No change to the cost of building.
S	**Local government**	Grey	No change to what councils earn or spend.
SW	**Infrastructure**	Grey	No change to how it is funded or sequenced.
W	**Rental market settings**	Lit	Landlords are rewarded for holding. See Claim 1.
NW	**Affordability and access**	Lit	Fewer investors bid; fewer homes listed. See Claim 3.

SECTION 04

Who wins and who loses

WINNERS 4

Landlords who hold on: no tax is ever paid while they keep the property — Claim 1

First home buyers, partly: fewer investors to bid against — Claim 3

Current renters: landlords hold on, so fewer forced moves — Claim 4

Heirs: inherit the property at its new value and never pay tax on past gains

LOSERS 8

Landlords who sell: taxed on the gain, including the part of it that is inflation

Older investors wanting to sell to retire: the design pushes them to hold instead — Claim 1

People who bought at the 2021 peak: Labour has described the rule three different ways. About 19,500 properties are affected.

Business owners wanting investment: the money stays in property until the owner sells — Claim 1

Taxpayers: cover the doctor's visits until the tax actually comes in — Claim 2

First home buyers, partly: same deposit, fewer homes for sale as landlords hold on — Claim 3

Future renters: new rentals are less worth building, so they carry any rent rise — Claim 4

Builders and developers: harder to sell new homes off the plans to investors — Claim 4

THE PATTERN

The tax rewards holding and charges selling. Those who keep property, or inherit it, come out ahead. Those who sell, those who need to sell, and those who depend on new homes being built carry the cost.

Sources: Labour policy page and policy document, read 8 October 2026; NZ Herald, 21 September 2026; Cotality.

Tags link each row to Labour's four claims.

SECTION 05

Does it do what Labour says?

Each of Labour's four statements is tested against what the design actually does. One test does not get there, two get there only partly, and one has not been tested.

1

CLAIM 1 · BUSINESS INVESTMENT

Money moves from property into businesses

NO

The tax is paid on the way out and waived for staying. Every year an investor holds is a year the tax does not apply, and holding to death wipes it.

The same investor, two choices.

She owns a rental worth $800,000 on 1 July 2027. Labour's diagnosis is that wealth is locked in property. The design adds a lock.

CHOICE ONE

She sells in 2032 to put the money into a business

Money leaves property and goes where Labour says it should

28% on the gain since July 2027

1. Sells the rental, five years after the tax starts
2. Pays **28 percent of the gain**, including the part of it that is inflation
3. Puts what is left into a business

THE MOVE LABOUR WANTS

CHOICE TWO

She holds on until she dies

Money stays in property, exactly where Labour says it is locked

$0 no tax, ever

1. Keeps the rental for the rest of her life
2. Death is not a sale, so **no tax is paid**
3. Her heirs take the property at its new value and never pay tax on the past gain

THE MOVE THE TAX REWARDS

Same investor, same property: 28% for doing what Labour asks, nothing for doing the opposite.

Figure 2. The choice the tax puts in front of every investor.

2

CLAIM 2 · HEALTH FUNDING

The tax pays for three free doctor's visits a year

PARTLY

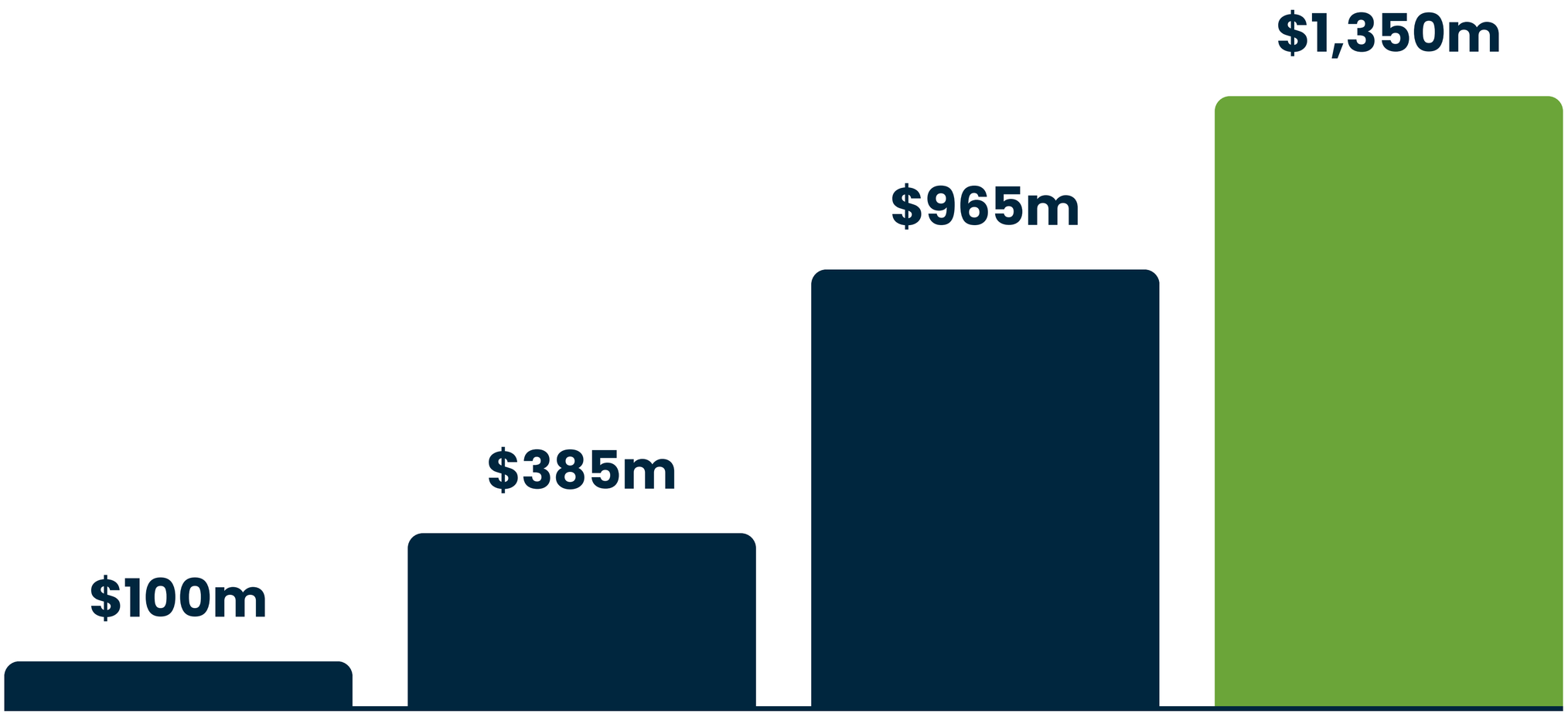
The visits are funded either way; the question is who pays, investors or everyone.

— THE KEY POINT

The revenue is real, but it only arrives when investors sell, and the design rewards not selling.

THE ONE NUMBER LABOUR GAVE

Labour's own forecast of what the tax raises, ring-fenced for health. It is the single benchmark the policy can be measured against.



Source: Labour policy document, page 9. Average $700m a year over the four years.

18,000 investor sales

Cotality's estimate for the first year, against a normal **30,000 to 35,000** . Fewer sales means less tax, and the visits are funded regardless, so taxpayers cover the gap.

Figure 3. The one number Labour gave. Sources: Labour policy document, page 9; Cotality investor sales estimates.

3

CLAIM 3 · FIRST HOME BUYERS

PARTLY

Fewer investors bid against first home buyers

True for existing homes. But the deposit does not change, and fewer investor sales means fewer homes on the market to bid on.

EXISTING HOMES

Fewer investors bid against first home buyers.

THE CATCH

The deposit does not change, and fewer homes come up for sale.

1 **What would help: Suggestion 1.** More homes come up for sale. See page 10.

4

CLAIM 4 · RENTS

UNTESTED

Rents will not go up

Probably true for rentals that already exist, because landlords hold on. Labour has not looked at new rentals, where the tax lowers the return on building or buying one. That is where any rent effect would come from, and Labour's answer does not reach it.

RENTALS THAT ALREADY EXIST

Probably no rent effect, because landlords hold on.

NEW RENTALS

Not looked at. The tax lowers the return on building or buying one.

3 **What would help: Suggestion 3.** A better deal for new builds keeps new rentals worth building. See page 11.

Australia has run this experiment four times. The next page shows what happened. →

SECTION 06

What happened in Australia

Australia has changed how it taxes property gains four times in 41 years. Labour's own material points to Australia as the example, so Australia is the precedent.

July 1985

THEY WANTED

Stop new investors claiming rental losses against wages. Negative gearing limited.

WHAT HAPPENED

Rents rose about 7 percent in real terms, mostly in Sydney and Perth. Reversed in 1987.

Sept 1985

THEY WANTED

Tax investment profits like other income. Capital gains tax introduced, with inflation taken out of the gain.

WHAT HAPPENED

Still in place. Never slowed house prices, which rose 114 percent in the five years to March 1989.

1999

THEY WANTED

More people investing in shares, by halving the tax on gains and dropping the inflation adjustment.

WHAT HAPPENED

The money went into housing bought with borrowed money. Prices have since risen more than twice as fast as wages.

2026

THEY WANT

More home owners; investors steered to new builds. From 1 July 2027 the 50 percent discount is replaced by an inflation adjustment and a 30 percent minimum rate; negative gearing limited to new builds, which keep the old discount.

WHAT HAPPENED

Too early to say.

Figure 4. Australia, 1985 to 2026. Sources: RBA 2002; Kenny 2005; Australian Treasury Budget 2026-27 factsheet, read 8 October 2026.

> The 1999 change was aimed at shares and landed on houses. Money follows the after-tax return, not the press release.

Labour's tax has the same gap in reverse: it is aimed at property and the money has nowhere it is pushed to go.

LEADS TO THE SUGGESTIONS

Two things in Australia's 2026 design are missing from Labour's. Australia takes inflation out of the gain, and it gives new builds a better deal than existing homes. Both become suggestions on the next pages.

FACT, NOT FORECAST

What happened in Sydney in 1985 is a fact; what will happen in Auckland in 2028 is a measurement still to take.

SECTION 07

What would get it closer

Four suggestions. None of them requires dropping the tax. Each closes the gap between what the policy does and what Labour says it is for.

SUGGESTION 1

1 Tax the gain when someone dies, or pass the original cost on to the heirs

WHAT IT IS

Either the estate pays the tax at death, or the heirs inherit the 1 July 2027 starting value and pay when they sell. Holding forever stops being the tax-free exit.

SERVES

Claim 1 Claim 2 Drawn from how Australia and Canada treat death.

COST

None. Tax arrives sooner and more of it.

WHO GAINS

WINNERS

Taxpayers: tax arrives sooner and more of it

First home buyers: more homes come up for sale

LOSERS

Older investors: no longer paid to hold on

Renters in those homes: more moves as properties sell

Heirs: lose the free pass, may have to sell to pay

SUGGESTION 2

2 No tax if the money goes into a business

WHAT IT IS

Defer the tax when sale proceeds are reinvested in a qualifying business within a set time, say two years. The tax then falls on the investor who cashes out, not the one who does what Labour asks.

SERVES

Claim 1 A Housing Compass suggestion.

COST

Shrinks the health revenue (Claim 2)

WHO GAINS

WINNERS

Investors selling to fund a business: exactly who Labour says the policy is for

Business owners: more investment

LOSERS

Taxpayers: less tax, same bill for the visits

Inland Revenue: has to define “business” and police it

3

SUGGESTION 3

A better deal for new builds

WHAT IT IS

A lower rate, or a fresh starting value, for a newly built rental held for a minimum period. Australia's 2026 design does this by letting new builds keep the old discount. Protects the rent promise and keeps new rentals worth building.

SERVES Claim 3 Claim 4

COST **Shrinks the health revenue (Claim 2)**

WINNERS

- **Investors who buy new**
- **Future renters:** more rentals get built
- **Builders and developers:** presales come back

LOSERS

- **Owners of older rentals:** worse off by comparison
- **Taxpayers:** a bit less tax
- **Renters in older homes:** more moves as owners sell to buy new
- **Renovators:** caught by where “new” is defined

4

SUGGESTION 4

Take inflation out of the gain

WHAT IT IS

Tax the real gain, not the rise in the price level. Australia did this from 1985 to 1999 and is going back to it in 2027.

FIGURE 5. WORKED THROUGH

Starting value, 1 July 2027	Ten years at 2% inflation	The "gain", entirely inflation	Tax at 28%
$800,000	$975,000	$175,000	$49,000

Paid on a gain that is not a gain at all. The owner's own calculation at 2% a year for ten years; illustrative, not advice.

SERVES Claim 4 Also protects the landlords who sell.

COST **Shrinks the health revenue (Claim 2)**

WINNERS

- **Long-term landlords:** taxed on real profit only
- **Peak buyers:** slightly better off

LOSERS

- **Taxpayers:** less tax, mostly from the longest holds
- **Inland Revenue:** more paperwork

SECTION 07 · OVERVIEW

The four suggestions against the four claims

SUGGESTION	1 Business investment	2 Health funding	3 First home buyers	4 Rents
1 **Tax the gain when someone dies, or pass the original cost on to the heirs**	✓	✓	–	–
2 **No tax if the money goes into a business**	✓	Shrinks	–	–
3 **A better deal for new builds**	–	Shrinks	✓	✓
4 **Take inflation out of the gain**	–	Shrinks	–	✓

Figure 6. Which claim each suggestion serves, and where it shrinks the health revenue.

A fifth change is housekeeping: write the protection for 2021 peak buyers into the policy document itself. It currently exists in three versions.

— WHERE LABOUR'S AIMS PULL AGAINST EACH OTHER

Labour wants money out of property and money for health. Suggestion 1 is the only change that serves both. The other three help one aim by shrinking the other, because Labour's two goals pull in opposite directions.

SECTION 08

How we'll know

The tax starts on 1 July 2027. The baseline is the twelve months before that, 1 July 2026 to 30 June 2027. Re-score on 1 July 2028, 1 July 2030 and 1 July 2032.

WHAT TO MEASURE, AND WHEN

A policy nobody can measure is a policy nobody can test.

The baseline is the twelve months before the tax starts. The result is re-scored three times, so the argument is settled by data rather than by prediction.

BASELINE	TAX STARTS	RE-SCORE	RE-SCORE	RE-SCORE
1 July 2026 to 30 June 2027 The twelve months before the tax	**1 July 2027** Every covered property gets its starting value	**1 July 2028** First year of revenue and investor sales	**1 July 2030** Third year; revenue should be near $965m	**1 July 2032** Fifth year; full $1,350m run rate

Claim 1 · Business investment

Compass measure

Share of homes bought by investors, existing and new build separately

COTALITY

Business investment

STATS NZ

Claim 2 · Health funding

Labour's measure

Revenue collected against Labour's forecast

TREASURY, INLAND REVENUE

Investor sales against the 18,000 first-year estimate

COTALITY, REINZ

Claim 3 · First home buyers

Compass measure

Share of homes bought by first home buyers

COTALITY

Homes listed for sale

REINZ

Claim 4 · Rents

Compass measure

Rents, existing and new build separately

STATS NZ, TENANCY SERVICES

Number of rentals, from bonds lodged

TENANCY SERVICES

Figure 7. The measures that settle the question, and when each is read.

When the bright-line test was extended in 2021, officials wrote that they did not expect to be able to tell what it did to house prices or rents. The measures above are so that this one can be.

SECTION 09

Sources and notes

1. Labour capital gains tax policy page, read 8 October 2026.
2. Labour policy document, Targeted Tax Changes to Grow the Economy and Invest in Health, read 8 October 2026.
3. Labour launch release, 28 October 2025.
4. NZ Herald, 21 September 2026, on the treatment of 2021 peak buyers.
5. NZ Treasury regulatory impact statement on the bright-line extension, 5 March 2021.
6. Australian Treasury, Budget 2026-27 factsheet on negative gearing and capital gains tax; EY summary, read 8 October 2026.
7. Reserve Bank of Australia, May 2002, on the 1985 to 1987 negative gearing change.
8. Cotality Home Value Index to 30 September 2026, and Cotality investor sales estimates.
9. Davies, Coolabah Capital, 26 June 2026; Kenny, 2005; ABC Fact Check.
10. The Housing Compass series, Kieran Trass, Staircase Property Group, 2026 (eight papers).

ABOUT THE AUTHOR AND THE SERIES

The Housing Compass is Kieran Trass's framework for testing housing policy as one system rather than one lever at a time. It is published by Staircase Property Group, which works with property investors and landlords. That is why every Compass report tests a policy against its proposer's own goals, not against Staircase's view, so readers can check each conclusion against the proposer's own words. The series is not funded by or produced on behalf of any industry body, political party or advocacy organisation.

DISCLAIMER

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Staircase Property Group, Auckland, New Zealand.



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