



4 February 2026

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 17 December 2025. You requested the following documents (numbered for ease of response):

1. *BN2025/460 Update on workstreams discussed in CAANZ letter: targeted measures to support economic growth*
2. *BN2025/485 Further information on cryptoassets*
3. *BN2025/465 Proposed changes to information sharing and restraining orders for the Criminal Proceeds (Recovery) Act 2009*
4. *BN2025/486 Request for student loan information*
5. *04/12/2025 IR2025/467 International Tax Update*
6. *04/12/2025 BN2025/477 Information on CTG's proposal for a nationally significant infrastructure tax regime*
7. *04/12/2025 IR2025/478 Working for Families Stewardship Review - List of Recommendations*
8. *04/12/2025 25SR40 Weekly Status Report*
9. *05/12/2025 IR2025/442 Update on Inland Revenue's use of Artificial Intelligence*
10. *05/12/2025 REP-25-11-880-2025 Half Year Economic and Fiscal Update of benefit forecasts for Vote Social Development*

On 17 December 2025, we transferred your request for the document *05/12/2025 REP-25-11-880-2025 Half Year Economic and Fiscal Update of benefit forecasts for Vote Social Development* to the Ministry of Social Development.

Information being released

I am partially releasing documents one, two, six, seven, eight, and nine, attached as **Appendix A**, with some information withheld under the following sections of the OIA, as applicable:

- 6(a) – to avoid prejudice to the international relations of the government,
- 9(2)(a) – to protect the privacy of natural persons,
- 9(2)(b)(ii) – to protect the commercial position of the person who supplied the information or who is the subject of the information,
- 9(2)(f)(iv) – to maintain the constitutional conventions for the time being which protect confidentiality of the advice tendered by Ministers of the Crown and officials, and

- 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty.

I have decided to withhold paragraph 20 in document nine under section 9(2)(g)(i) of the OIA. However, consistent with section 17 of the OIA, I am releasing the releasable information in the form of a summary, provided under section 16(1)(e).

The rate of change in AI-based cyber threats is increasing, requiring frequent reviews of existing controls, updates to threat intelligence sources, and continuous staff upskilling. Ongoing evaluation and timely adoption of new security safeguards is a core priority to ensure resilience against these evolving threats.

Information withheld

I am withholding documents three and four in full under section 9(2)(f)(iv) of the OIA. As required by section 9(1) of the OIA, I have considered whether the grounds for withholding the information requested is outweighed by the public interest. In this instance, I do not consider that to be the case.

I am withholding document five in full under section 6(a) of the OIA.

If you disagree with my decision on your OIA request, you have the right to ask the Ombudsman to investigate and review my decision under section 28(3) of the OIA. You can contact the office of the Ombudsman by email at: info@ombudsman.parliament.nz.

Publishing of OIA response

We intend to publish our response to your request on Inland Revenue's website (ird.govt.nz) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you again for your request.

Yours sincerely



Kerryn McIntosh-Watt
Policy Director

Briefing note

Reference BN2025/460

Date 2/12/2025

To Revenue Advisor, Minister of Revenue - Angela Graham
Private Secretary, Minister of Revenue – Melissa Zhen

CC: Private Secretary (Revenue), Minister of Finance – Carl Harris

From Dan Doughty, Senior Policy Advisor, Tax Policy

Subject **Update on workstreams discussed in CAANZ letter: *Targeted measures to support economic growth***

Background & purpose

- 1 On 11 November you received the report: *Financial arrangement rules – options to support new migrants* (IR 2025/431 refers). In response, you requested a table that reconciles the options we outline in that report with the options stakeholders have raised to date.
- 2 Subsequently, on 24 November, you received the letter *Targeted measures to support economic growth* from Chartered Accountants Australia and New Zealand (CA ANZ). That letter proposes targeted changes to the Financial Arrangement (FA) rules, and also targeted changes to the Research and Development tax loss credit (RDLTC) and transitional residency rules.
- 3 The purpose of this note is to respond to your original commissioning to reconcile our proposed FA changes with those raised by stakeholders – with specific reference to the options identified by CA ANZ. The requested reconciliation table is annexed to this note. For completeness, this note also reconciles the other options raised by CA ANZ with previous advice in their respective areas.

Proposed changes to the FA rules – officials and CA ANZ

- 4 The FA project seeks to address the problem definition defined by Cabinet's original commissioning (CAB-25-MIN-0061 refers); that some tax rules impose barriers to attracting and retaining highly skilled migrants to New Zealand, and that lowering these barriers would support the Government's economic objectives.
- 5 To meet that commissioning, the options we proposed in our initial report target specific points in the financial arrangement (FA) rules that impose disproportionately high costs on migrants. As discussed in that report, these options are largely designed to mitigate the costs involved in applying the FA rules to FAs denominated in foreign currencies.
- 6 As a result, the options we have previously proposed (or intend to investigate as part of consultation) align with two of the targeted changes that CA ANZ¹ request in their letter:

¹ The targeted changes that CA ANZ propose largely correspond with the changes other stakeholders have raised with officials to date, and so we have merged all stakeholder proposals into these broader proposals for the purposes of this note.

- Defer foreign exchange recognition until realisation where the FA is denominated in a foreign currency.
- Allow calculations in foreign currency to align with international practice.

7 However, we are not currently proposing to prevent the taxation of unrealised gains for all taxpayers (including those on accrual basis). Fundamentally, the FA rules operate on an accrual basis, and therefore tax some gains on an unrealised basis. Completely preventing the taxation of unrealised gains would require a much broader review of the basic design of the FA rules than is currently within the scope of this project.

8 For the reasons discussed in our previous report, we would not recommend extending the scope of the FA project at this time. However, as we detail in the table annexed to this report, some of the options we propose would limit some taxation of unrealised gains for both migrants and non-migrants.

9 We have begun consultation on our proposed changes to the FA rules. Consultation may raise further issues that warrant further work and we will be open to, and report back on, suggestions raised by stakeholders including CA ANZ.

Comments on proposed changes to the RDLTC

10 The RDLTC was introduced in 2016 to encourage business innovation by supporting start-up companies engaging in intensive R&D. The RDLTC supports cashflow by allowing a company to cash-out its tax losses arising from R&D expenditure. It was designed to be like an interest-free loan, which means it must be repaid. Generally, this occurs when the company pays tax once in profit.

11 However, repayment will be triggered in certain circumstances. Currently, a business that is claiming the RDLTC is required to repay the full value of all credits received if more than 90% of its shareholding changes after the first year the credits are claimed.

12 This rule reflects a clear policy position taken at the time of enactment:

12.1 It is an integrity measure which prevents the taxpayer making an untaxed return on their investment before they have repaid the value of the cashed-out losses. This outcome would be concessionary and create fiscal risk.

12.2 If the company is sold, it is likely that the company will no longer be subject to the same cashflow constraints, as the company will have funds available to pay back the value of the cashed-out loss.

13 We would generally not recommend changing this setting at this time. The 90% threshold for triggering a repayment of the paid-out losses is already relatively high. In addition to the benefit of the early monetisation of the tax losses, the taxpayer's original losses are reinstated upon repayment of the RDLTC (which they can then benefit from).

14 s 9(2)(f)(iv)



Comments on proposed changes to the transitional residency rules

15 CA ANZ recommends extending the transitional residence period from 4-years to 10-years for high value migrants. s 9(2)(f)(iv)

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Next steps

19 Officials have begun targeted consultation with stakeholders on proposed changes to the FA rules that would support new migrants. We will report back to you in early 2026 on the outcomes of this consultation, and provide advice on which policy options we recommend you progress to support your economic objectives.

20 s 9(2)(f)(iv)

Dan Doughty

Senior Policy Advisor

s 9(2)(a)

Annex: Reconciliation table – options for FA rules reform

Options officials are consulting on:	Aligns with stakeholder request to:			Comments:
	Prevent taxation of unrealised gains	Defer foreign exchange gains	Calculate in foreign currency	
Cash basis person rules: remove deferral threshold.	<i>Partially</i>	-	-	The deferral threshold is the lowest threshold for whether a person qualifies as a cash basis person, and is particularly sensitive to FX movements. Removing the threshold would prevent many migrants (and other taxpayers) from losing their cash basis person status – and thus preventing the taxation of unrealised gains on their FAs.
Cash basis person rules: absolute value threshold to ignore FX movements.	<i>Partially</i>	-	-	The absolute value threshold is also sensitive to FX movements, but is still important to the integrity of the cash basis person rules (i.e., why we do not recommend it is outright removed). However, having the threshold ignore FX movements would maintain integrity while also preventing many migrants (and other taxpayers) from losing their cash basis person status.
Except foreign currency transaction accounts from the FA rules.	-	Yes	-	Foreign currency transaction accounts are particularly sensitive to FX movements, which can become taxable unrealised gains under the FA rules. This change would remove these accounts from the FA rules entirely.
Broaden exception for foreign private loans from the FA rules.	-	Yes	-	Some migrants with foreign private loans (largely mortgages) are taxed on unrealised FX gains in the value of their loan when they don't qualify as a cash basis person. This change would remove these loans from the FA rules entirely.
Ignore FX movements for foreign credit account exception threshold.	-	Yes	-	Some migrants with foreign credit accounts are taxed on unrealised FX gains in the value of their account where the account has a high limit. This change would mean smaller credit accounts were not subject to the FA rules because of FX fluctuations.
Special rules for the valuation of FAs acquired for the purpose of visa eligibility	-	-	Yes	Migrants who apply for certain visas (such as the Active Investor Plus visa) are required to make investments (in the form of FAs) into New Zealand to meet visa eligibility requirements. The current valuation rules are making these visas less attractive, and so special valuation rules are being considered to mitigate this.



Briefing note

Reference BN2025/485

Date 2/12/2025

To Revenue Advisor, Minister of Revenue - Angela Graham
Private Secretary, Minister of Revenue – Anna McGuinness

From Will Edmonds

Subject Further information on cryptoassets

Purpose

- 1 This briefing note outlines why cryptoassets are viewed as a form of personal property rather than currency and compares the tax treatment of cryptoassets in New Zealand with other jurisdictions.

Background

- 2 The Minister received a letter from Joseph Mooney MP querying why cryptoassets, such as Bitcoin, are treated as property in New Zealand and argues that this creates a barrier against using them for payment purposes. Officials provided some bullet points on this topic which formed the basis of a response to Mr Mooney.
- 3 As part of this, we acknowledged that there is merit in exploring ways to simplify compliance costs for cryptocurrency but that would require resourcing and prioritisation as part of the Tax Policy Work Programme. We understand that generally investors find the law complex to apply and that compliance costs can be significant, particularly those with more extensive portfolios.
- 4 Following on from this advice, the Minister has asked for additional information on why cryptoassets are treated as personal property rather than currency, and how our cryptoasset tax regime compares with other jurisdictions.

Cryptocurrency as a form of personal property

- 5 Most OECD jurisdictions view cryptoassets as a form of personal property, not money. The New Zealand High Court in *Ruscoe v Cryptopia [2020] NZHC 72* has confirmed that cryptoassets are property in New Zealand. Cryptoassets meet the criteria for property as they are identifiable, capable of ownership and can be transferred or controlled.
- 6 Money is broadly defined as currency that is issued or guaranteed by a sovereign authority and recognised as legal tender under statute. In New Zealand, only New Zealand dollars issued by the Reserve Bank meet this test. In contrast, cryptoassets are decentralised digital assets that lack any form of state backing. They are not legal tender, are not widely accepted as a means of payment, and cannot be used to discharge monetary obligations.
- 7 Allowing cryptoassets to function as money could also undermine the Reserve Bank's ability to conduct monetary policy and control inflation. Cryptoassets are inherently volatile, and this makes them unsuitable for use as a currency. For example, in the last month Bitcoin has fluctuated from a high of \$199,048.88 NZD to a low of \$149,972.26 NZD.

- 8 If cryptoassets were recognised as money then this could imply that they have received Government backing and could open users up to being scammed (such as by exchanging assets of value for a cryptoasset that could soon become worthless).

Treatment of cryptoassets in other jurisdictions

- 9 Cryptoassets are treated as a form of property across most major jurisdictions, not money. In most comparable jurisdictions, sales of cryptoassets are taxable under their capital gains tax regimes.
- 9.1 In the United States, the IRS has classified cryptoassets as property since 2014. Selling your cryptoassets, trading your cryptoassets for another or using them to buy goods or services are disposal events that are potentially subject to tax.
- 9.2 The UK introduced legislation in 2024 to clarify that Bitcoin and other digital assets are personal property under the law.
- 9.3 Similarly, Australia also treat cryptoassets as personal property and tax them on disposal under their capital gains tax regime.
- 9.4 The EU also has a similar approach which views cryptoassets as a form of property.
- 10 All of these approaches are consistent with the New Zealand approach, which treats cryptoassets as a form of personal property. Under New Zealand law, personal property such as cryptoassets are taxed on disposal if the asset was acquired for the purpose of disposing of it (which includes using cryptoassets to buy goods and services). Each disposal creates a potential taxable event – whether that is disposing of it for New Zealand dollars, using cryptoassets to buy goods or services, or trading one cryptoasset into another.

Will Edmonds

Senior Policy Advisor

s 9(2)(a)

Briefing note

Reference BN2025/477

Date 5/12/2025

To Revenue Advisor, Minister of Revenue - Angela Graham
Private Secretary, Minister of Revenue – Melissa Zhen

From Thomas McKay

Subject Information on CTG's proposal for a nationally significant infrastructure tax regime

Purpose

- 1 This briefing note considers the Corporate Taxpayer's Group's (CTG) proposal for a nationally significant infrastructure tax regime.

Background

- 2 The CTG has raised the idea of a nationally significant infrastructure tax incentive (NSI tax incentive). A NSI tax incentive would likely be targeted at large infrastructure projects in areas such as public transit systems, large-scale housing developments, communications, energy, and water reticulation assets. Here we consider reducing the company tax rate to 14% for nationally significant infrastructure projects, but the advice and information is applicable to any level of targeted tax concession.
- 3 A NSI tax incentive would increase the after-tax return to infrastructure projects and increase infrastructure spending in New Zealand.
- 4 A NSI tax incentive was previously considered in the 2018 Tax Working Group. It recommended further consideration of the idea. Targeted tax concessions are also discussed in general in chapter 11 of Inland Revenue's 2022 Long Term Insights Briefing.
- 5 Inland Revenue recommends against introducing a NSI tax incentive because, for a given level of tax revenue, it would create distortions likely to reduce productivity, have high fiscal costs relative to benefits, and be inferior to a scheme like Investment Boost.

Broad-base, low-rate approach and its benefits

- 6 The general case for a broad-base, low-rate approach is that pre-tax returns indicate investment productivity. Having a uniform rate minimises government intervention in capital allocation decisions and allows the market to allocate investment to its highest returning area, which will, over time, tend to maximise incomes and broader welfare for New Zealanders.
- 7 Large infrastructure projects compete for finite resources like capital, labour, materials and management capacity. A 14% rate makes these projects more attractive than those on a 28% rate, relative to market-determined returns. Where resources are fully employed, infrastructure projects that take place due to the tax incentive will draw investment and labour away from other projects that have a higher pre-tax return.

- 8 In principle, there are two reasons why a tax system might sensibly deviate from a broad-base, low-rate approach. The first is variable sensitivity to tax among different investment projects, and the other is spillover effects.

Sensitivity of particular investments to tax

- 9 If specific projects or types of investment are more sensitive to tax, then giving tax incentives maximises the investment impact of the policy per tax dollar foregone. Theoretically there is a case for giving concessional treatment to tax sensitive investments while heavily taxing insensitive investments. This is the general case for not taxing foreign investment too highly.
- 10 However, in practice, it is extremely difficult to estimate sensitivity of specific industries or investments sensitivity to tax. In some cases it may also violate fairness principles by treating shareholders of similar companies or projects differently. This is the reason we prefer broad rules rather than targeting specific industry types.

Spillover benefits and existing mechanisms to take them into account

- 11 Spillovers (or positive externalities), may be generated from tax concessions if projects that otherwise would not go ahead have positive wider effects on the economy, either by increasing the human capital (i.e. valuable knowledge and skills of local workers) involved in the project or by providing infrastructure which increases the welfare and productivity of the local or national economy.
- 12 Infrastructure investments are generally regarded to generate positive externalities. It is for this reason that much nationally significant infrastructure is already fully or partially funded by Government. The Government acts as purchaser for nationally significant public transit systems, and local authorities do the same for water reticulation assets, which means that these procurement decisions already incorporate broader social benefits. A tax concession adds a second layer of correction where the Government and local authorities have already considered the positive externalities.
- 13 Investment in nationally significant system public transit systems is funded through the National Land Transport Fund, under a statutory framework that funding contributes to an effective, efficient and safe land transport system. The Government also contributes additional Crown funding directly to transport projects or programmes to achieve outcomes, priorities or objectives that it decides are a priority.
- 14 The Local Government (Water Services) Act 2025 and related legislation set out a framework for local government to provide water services in a flexible, cost-effective, financially sustainable, and accountable manner. These reforms aim to address New Zealand's long-standing water infrastructure challenges.
- 15 Investment in large-scale housing, communications and energy infrastructure is undertaken in the private sector and is driven by the expected returns on capital from investing in new assets to meet consumer demand.
- 16 It is the view of Treasury and Inland Revenue that these frameworks, processes and incentives create a better system for determining the amount of national infrastructure investment in New Zealand, rather than considering tax incentives.

Comparison of NSI tax incentive with Investment Boost

- 17 Both Investment Boost and the proposed NSI tax incentive limit fiscal costs by targeting them toward new investment. Investment Boost has a particular advantage over a NSI tax incentive because it (Investment Boost) reduces tax rates on marginal investments (earning

the market return) but does not materially reduce the tax rate on investments that are very profitable. Because Investment Boost gives accelerated deductions for the capital invested, very profitable investments tend to benefit less from the boost because by their very nature, they require (relative to the returns) less capital. In contrast, an NSI tax incentive gives a benefit to both marginal investments and very profitable investments. This increases the fiscal cost relative to the effect it has on investment.

- 18 Finally, while the proposed NSI tax incentive is labelled as being for “nationally significant” infrastructure, there is no reason to believe that a single investment of (say) \$1b is more valuable than 20 investments of \$50m. By favouring the single investment over the dispersed \$50m, the NSI tax incentive would introduce a distortion based on project size.

Specific interaction issue between Investment Boost and the NSI tax incentive

- 19 The interaction between a NSI tax incentive of half the statutory rate and Investment Boost means that NSI eligible projects would only receive half the value they currently gain from Investment Boost. Currently Investment Boost gives an immediate deduction of 20% of eligible asset acquisitions in the first year, this leads to a reduction in taxable income subject to the 28% corporate tax rate. However, with a NSI tax incentive in place, the deductions from Investment Boost would only reduce taxable income by 14%. This means that the lower value of Investment Boost would partially offset the benefit from a NSI tax incentive.

Investment Boost and future monitoring

- 20 Inland Revenue is also monitoring and evaluating the effect of Investment Boost. This includes a survey of businesses in December 2025. Inland Revenue will report back to the Minister on the early indications from this. Officials have recommended waiting for the results of this workstream before considering changes to Investment Boost or new tax incentives like a NSI tax incentive.

Uncertainty as it relates to the NSI tax incentive

- 21 Stakeholder feedback has indicated that policy uncertainty and uncertainty surrounding tax settings means that some taxpayers do not factor Investment Boost into their decisions. While this is anecdotal and indicative only, it does raise the importance of stable, simple and foreseeable tax settings for businesses. This means that if a NSI tax incentive were to be introduced, stakeholders would discount its value for long-lived project unless they had a high level of certainty about the incentive remaining in place in the long term.

Other related work on infrastructure – the current thin capitalisation project

- 22 Inland Revenue is currently progressing a policy project to relax the thin capitalisation settings for infrastructure investment. This is because the current settings may be too rigid for some foreign investment in infrastructure, which can sometimes support a higher level of commercial debt than is possible with other business activities. For example, if there is a new project to develop a wind farm, external banks may be willing to lend 75% of the funding required for the project because of a long-term power purchase agreement for the electricity with a retailer. This is more than the 60% safe harbour threshold in the thin capitalisation rules and could lead to some of the interest not being deductible even though it is paid to an external bank.
- 23 Compared with a NSI tax incentive which is intended to incentivise infrastructure investment, the thin capitalisation project is seeking to remove a barrier created by the current rules, which do not work so well for infrastructure investment.

International approaches

- 24 Some countries such as the UK and Canada have introduced time-limited partial expensing regimes for specific industries with large infrastructure investments like the energy sector.
- 25 The USA allows state and local governments to issue bonds for infrastructure projects where the interest is exempt from federal tax. They also allow private entities to finance public-use infrastructure projects with tax-exempt debt.
- 26 Australia has a regime that provides a reduced 15% corporate rate for 15 years for Government-approved nationally significant infrastructure projects. However, it is important to note that this replaced a wider set of concessions and exemptions in place for infrastructure projects - Australia has reduced their infrastructure concessions rather than increased them.

Consultation

- 27 Treasury was informed about this briefing note.

Thomas McKay

Senior Policy Advisor

s 9(2)(a)



Inland Revenue
Te Tari Taake

POLICY

Tax policy report: Working for Families Stewardship Review – List of Recommendations

Date:	4 December 2025	Priority:	Low
Security level:		Report number:	IR2025/478

Action sought

	Action sought	Deadline
Minister of Revenue	Note the contents of this report	23 December 2025

Contact for telephone discussion (if required)

Name	Position	Telephone	Suggested first contact
Paul Young	Acting Policy Lead, Inland Revenue	s 9(2)(a)	<input checked="" type="checkbox"/>
Svenja Brandt	Senior Policy Advisor, Inland Revenue	s 9(2)(a)	<input type="checkbox"/>

4 December 2025

Minister of Revenue

Working for Families Stewardship Review – List of Recommendations

Purpose

1. This report provides you with a list of the recommendations for policy and administrative change made in Inland Revenue's *Working for Families stewardship review, Final report*. It outlines which recommendations have been reported to Ministers, what their current level of progress is and indicative timeframes for potential decisions and/or implementation.

Background

2. In 2024 Ministers received advice from officials on ways to improve Working for Families [IR2024/393 refers], and the Government released a discussion document in May 2025 based on some of those recommendations.
3. The advice was partially based on work that had begun through Inland Revenue's Working for Families stewardship review. This review concluded earlier this year, and Inland Revenue recently provided you with the final report of its Working for Families stewardship review ("the stewardship report") [IR2025/332 refers]. The stewardship report is intended to clearly articulate Inland Revenue's thinking on Working for Families issues, based on data and insights from Inland Revenue customers and staff. The recommendations in the report represent Inland Revenue's views, not the views of other agencies.
4. You subsequently discussed the stewardship report with officials in the meeting on 11 November 2025 and expressed interest in receiving a list of the recommendations made in the stewardship report and their status.
5. The table below lists the recommendations, whether advice has been provided to Ministers, the current status and next steps.
6. We are currently working through timeframes for decisions and potential implementation with the Ministry of Social Development and Treasury. These are initial indications.

Working for Families Stewardship Review recommendations and their status

WFF Stewardship Review recommendation	Advice provided to Ministers?	Current status	What are the next steps AND/OR timeframes for decisions/ implementation¹
<i>Simplify the definition of income used to determine WFF entitlements</i>	Yes.	s 9(2)(f)(iv) Government public consultation in May 2025 <i>Empowering families: Increasing certainty and preventing debt in the Working for Families scheme.</i>	s 9(2)(f)(iv)
<i>Changing WFF residency settings/ Improve information sharing on border movements</i>	Yes.	s 9(2)(f)(iv) Government public consultation in May 2025 <i>Empowering families: Increasing certainty and preventing debt in the Working for Families scheme.</i>	s 9(2)(f)(iv)
s 9(2)(f)(iv)			
<i>Implement shorter periods of assessment</i>	Yes, s 9(2)(f)(iv) [Redacted] [Redacted]	Government public consultation at a high level in in May 2025 <i>Empowering families: Increasing certainty and preventing debt in the Working for Families Scheme.</i>	s 9(2)(f)(iv)

¹ Implementation dates are from an Inland Revenue perspective only.

		s 9(2)(f)(iv)	
s 9(2)(f)(iv)			
Implementing a family profile across relevant Inland Revenue products	No advice provided to Ministers.	s 9(2)(f)(iv)	
An improved method for updating changes in family circumstances	No advice provided to Ministers.		
Further work to improve debt management within a shorter assessment regime	No advice provided to Ministers.		
Implementing a cross-agency income support calculator.	No advice provided to Ministers.	s 9(2)(f)(iv)	No implementation timeline proposed at this stage.
Introducing a separate Working for Families Act	No advice provided to Ministers.	Currently not actively being progressed beyond WFF Stewardship review.	Question whether this measure has the required priority to be progressed at this stage.

<i>Developing an intermediary strategy for Working for Families</i>	No advice provided to Ministers.	s 9(2)(f)(iv)	Continued assessment by Inland Revenue.
<i>Exploring the option of developing an earned income tax credit (replace the in-work tax credit and the independent earner tax credit)</i>	No advice provided to Ministers.	Not progressed beyond WFF Stewardship review at this stage.	s 9(2)(f)(iv)

Consultation

7. The Treasury and the Ministry of Social Development have been consulted on this report.

Next steps

s 9(2)(f)(iv)



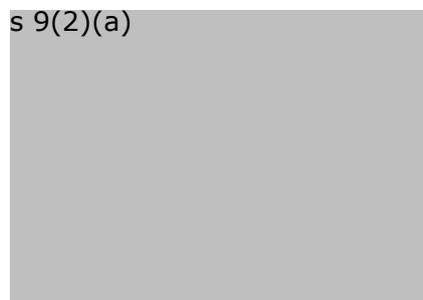
Recommended action

We recommend that you:

1. **note** the contents of this report

Noted

s 9(2)(a)



Paul Young

Acting Policy Lead

Policy

Hon Simon Watts

Minister of Revenue

/ /2025

s 9(2)(f)(iv)





25SR40 Status Report

Weekly update for the Minister of Revenue

Week ending: Friday 12 December 2025

Date issued: Thursday 4 December 2025

New topical issues

New items since the last Status Report.

Policy	
s 6(a)	
Cabinet Paper consultation - <i>Driving Down the Cost of Digital in Government – Implementation</i>	<p>The Public Service Commission’s Cabinet Paper proposes a three-year work programme, led by the Government Chief Digital Officer (GCDO), to centralise and streamline digital investment and procurement across government agencies, aiming to reduce costs and improve service delivery by clustering agencies to share ICT systems while maintaining their independence. This new "Digital Government Target State" is expected to deliver significant savings by creating standardisation, shrinking the government's digital footprint, and enabling more efficient, customer-centric digital services.</p> <p>s 9(2)(g)(i)</p>
Operational	
Student Loan remediation	<p>In September (IR2025/355 refers), we let you know about an error in the way student loan interest has been calculated on some customers’ accounts. Approximately 156,000 student loan accounts need to be remediated as a result.</p> <p>Over the weekend of 6 and 7 December 2025, we will implement a fix to the student loan system to correct this error and adjust the loan balances of the affected customers. Customers affected by this error will not be financially disadvantaged.</p> <p>To implement this fix we will shut down our systems, primarily START (including myIR, Gateway services, and self-service phonelines), from</p>

6am Saturday 6 December to approximately 6pm Sunday 7 December 2025. Our services are expected to be fully reinstated well before normal operating hours on Monday 8 December.

Customers who have overpaid interest will receive a refund or a credit added to their loan.

We will write off interest that has been added to customers' accounts due to this error.

As part of the fix, we discovered that some customers were not correctly registered as living overseas. We have updated their status to reflect where they live (New Zealand-based or overseas-based) and will send them an updated notice of assessment for each year that their status has changed.

This may create some media attention after the fix has been implemented. This is an operational issue, and Inland Revenue has plans in place to manage any resulting media.

Bills

New items are shaded.

Bill title	
Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill	
Current status	
The Bill was introduced on 26 August. First reading and referral to the Finance and Expenditure Committee (FEC) took place on 11 September 2025. Officials briefed FEC on the Bill on 22 October and 5 November. Oral submissions were heard on 5 November, 12 November, 19 November, and online on 27 November.	
Key upcoming dates	
By 20 January 2026	Departmental report lodged with FEC
28 January 2026	FEC to consider departmental report
By 10/03/2026	Bill reported back by FEC
By 31/03/2026	Bill enacted

s 9(2)(f)(iv)

Upcoming reports

Policy

IR Reference	Referral to and/or action sought from Ministers	Title	Description	Cabinet paper (include date & committee)	Due to Minister (Week ending)
IR2025/422	MoR: Agree MoF: Agree	Thin capitalisation settings for infrastructure - final policy recommendations	s 9(2)(f)(iv)		05/12/2025 12/12/2025
IR2025/456	MoR: Agree MoF: Agree	FamilyBoost: Direct data feed model			12/12/2025
s 9(2)(f)(iv)					
IR2025/475		Software Subsidy for SMEs	s 9(2)(f)(iv)		12/12/2025

IR Reference	Referral to and/or action sought from Ministers	Title	Description	Cabinet paper (include date & committee)	Due to Minister (Week ending)
s 9(2)(f)(iv)					
IR2025/479	MoR: Note, refer to MoF	Tax monitoring report: Collections to December 2025	Tax outturn monitoring report for December 2025 with variances reported against HYEFU2025		30/01/2026

Enterprise and Integrity Services (E&IS), CCS-I, CCS-B, and TCO

IR Reference	Referral to and/or action sought from Ministers	Title	Description	Legal requirement (yes or no, if yes when)	Due to Minister (Week ending)
MoE reference TBC	MfU: Cc MoR	Quarterly Student Loan Scheme report for Q1 2025/26	Quarterly Student Loan Scheme report for Q1 2025/26.	No	28/11/2025 05/12/2025 12/12/2025
IR2025/458	MoR to refer to MoF by 19/12/2025	Budget 2026 initiative submission for the revenue portfolio.	[Budget sensitive] This report seeks approval from the Minister of Revenue to submit initiatives for Budget 2026. This templated report is to be submitted from MoR to MoF. This report follows on from IR2025/457.	Treasury requirement	19/12/2025

s 9(2)(f)(iv)



Upcoming meetings/events

Date	Meeting/Events title
09/12/2025	Minister of Revenue meeting
09/12/2025	Meet with Hon Simeon Brown
10/12/2025	s 9(2)(f)(iv)
16/12/2025	Minister of Revenue meeting
18/12/2025	Ministerial visit to Inland Revenue

Official Information Act requests

MoR OIAs

Ref no.	Date due to MoR office	Statutory deadline	Requester	Subject
MOIA 475-25 [26OIA1690]	09/12/2025	24/12/2025	s 9(2)(a) Newsroom	Request for a list of October documents to the MoR

CIR OIAs – For Minister's office to note or consultation

Ref no.	Date due to MoR office	Statutory deadline	Requester	Subject
26OIA1636	03/12/2025 Received	11/12/2025	Jason Batchelor Labour Leader's Office	Copies of 5 briefing notes
26OIA1619	09/12/2025 Received	10/12/2025	Member of the Public	PAYE and GST written off due to liquidations, and tax debt written off due to insolvency processes
26OIA1625	09/12/2025	10/12/2025	s 9(2)(a) NZME	Consultants and contractors spend
26OIA1659	09/12/2025	16/12/2025	s 9(2)(a) Deloitte	Requests for BN2025/423 Tax System Forum feedback on software issues paper and BN2025/436 Notes for Going for Growth Ministers meeting 12 November
26OIA1629	10/12/2025	11/12/2025	Member of the Public	KiwiSaver payments made for unremitted employer deductions
26OIA1637	11/12/2025	12/12/2025	Member of the Public	Income tax treatment of income protection insurance
26OIA1627	Extended to 18/12/2025	Extended to 19/12/2025	s 9(2)(a) NZME	Cost breakdown of AI projects
26OIA1692	24/12/2025	16/01/2026	s 9(2)(a) Stuff	Seeking information about record keeping and document management after increase in S18(f) refusals

FOR MINISTER'S OFFICE USE

Ref no.	Date due to MoR office	Statutory deadline	Requester	Subject
26OIA1709	19/01/2026	20/01/2026	s 9(2)(a) [REDACTED]	Total cost to administer SBCS, how many customers defaulted on loans, how much was written off and how many FTEs are working on this campaign.
26OIA1710	20/01/2026	21/01/2026	s 9(2)(a) [REDACTED]	Copies of correspondence and reports in relation to the provision of valuation services/order systems/automated valuation models for the valuation of real estate for taxation purposes - including the valuation of assets for CGT
26OIA1716	15/01/2026	22/01/2026	s 9(2)(a) [REDACTED] NZME	Request for BN2025/421 Publishing the Tax and Social Policy Work Programme, BN2025/385 Taxation and the not-for-profit sector: Draft media statement, Q&A and proactive release, and BN2025/443 Not-for-profits: Inland Revenue advice to the sector during targeted consultation
26OIA1718	15/01/2026	22/01/2026	s 9(2)(a) [REDACTED] Newsroom	Request for IR2025/409: Compliance economic-evaluation programme update and BN2025/443: Not-for-profits: Inland Revenue advice to the sector during targeted consultation



Inland Revenue report: Update on Inland Revenue's use of Artificial Intelligence

Date:	05 December 2025	Priority:	Low
Security level:		Report number:	IR2025/442

Action sought

	Action sought	Deadline
Minister of Revenue	Note the contents of this report	NA

Contact for telephone discussion (if required)

Name	Position	Telephone
Brijesh John	Domain Lead, Strategic Architecture	s 9(2)(a)

05 December 2025

Minister of Revenue

Update on Inland Revenue's use of Artificial Intelligence (AI)

Purpose

1. This report
 - 1.1. Provides an update on Inland Revenue's use of AI for the period September to November 2025.
 - 1.2. Builds on the previous note to you.
 - 1.2.1. IR2025/365 provided an update on AI work in Inland Revenue for the period June to August 2025.
 - 1.3. We propose our next planned update to you will be in April 2026. You will be advised about any significant changes or advancements in the interim via regular Ministerial Services communications.

Background

2. Inland Revenue continues to focus on its next steps with AI following the AI Strategy approval in August 2025. This is primarily based on the following key foundational considerations:
 - 2.1. Focus on business value and government priorities,
 - 2.2. Strong leadership, and
 - 2.3. Digital dexterity and domain specific AI fluency to enable our staff.
3. In addition to our focus on identifying, trialling and scaling AI capabilities for improving staff productivity, data driven intelligence and customer experience, we are:
 - 3.1. Identifying value areas where IR can get the best return from deploying AI capability at scale,
 - 3.2. Streamlining our AI governance to increase efficiency and effectiveness,
 - 3.3. Creating innovation lab environments to allow safe experimentation and progress with AI, and
 - 3.4. Creating a reference model to identify which AI products and vendors should be involved in specific business domains and needs.

Key Highlights (Sep-Nov '25)

4. We have made further enhancements to the advanced analytics and AI in our Tax system which supports debt collection.
 - 4.1. We have added customer calls and site visits as additional recommended actions to our AI model (as these were identified as providing high value to debt collection activities).

- 4.2. We expect to add Bank Information Requests to the AI model in January 2026 which will further optimise our deduction activities.
- 4.3. We have the following updated financial outcomes to report because of the use of these intelligent models:
 - 4.3.1. \$24m in bank deductions recovered
 - 4.3.2. \$88m under pre-approved instalment arrangement
 - 4.3.3. \$54m cleared after an instalment offer or a call/visit
5. Microsoft 365 Copilot is currently being rolled out across all staff at Inland Revenue. This is Inland Revenue's largest AI rollout to support staff productivity to date and includes three pre-built agents - *Researcher*, *Analyst* and *Project Manager*.
 - 5.1. Copilot is integrated into the M365 suite of products (for example, SharePoint, Word, Excel, Teams) and is designed to enhance staff productivity.
 - 5.2. Pilots conducted throughout 2024 and 2025 at Inland Revenue, demonstrated:
 - 5.2.1. Copilot respected access permissions, and no data leakage or unintended disclosure incidents occurred.
 - 5.2.2. Productivity gains across a wide range of roles at Inland Revenue.
 - 5.2.2.1. Staff self-reported reasonable amounts of time saved on a number of regular tasks they perform each week.
 - 5.2.2.2. 76% of staff reported improvements in the quality of their work.
 - 5.3. A staged rollout will happen through to mid-2026, with the target of all IR staff having access at the end of the rollout.
 - 5.4. The rollout also includes access to pre-built agents which help with research and analysis activities conducted by staff members.
 - 5.5. Our back-office information knowledge practitioners are also utilising the administrative AI functions of M365 Copilot, including SharePoint Advanced Management. This uses AI to assist us in identifying areas of our document management in SharePoint which may require review or remediation as part of AI readiness and lifecycle management activities. It gives SharePoint Administrators tools and AI insights to spot and fix oversharing and to help control access to sensitive information.
6. We have concluded a proof of concept to evaluate the capabilities of Snowflake Cortex AI.
 - 6.1. Inland Revenue's Data Intelligence Platform (DIP) is built on the 'Snowflake' platform, which is a cloud-based data platform. Within the Snowflake platform, Cortex AI is available. Cortex AI is Snowflake's native AI and machine learning capability and embeds directly into the DIP. This allows the DIP to use AI, perform more advanced analytics at speed and build intelligent applications safely without moving data outside IR's data platform boundaries.
 - 6.2. Within Cortex AI, Inland Revenue are trialling Cortex Analyst. By using this feature, our staff can ask business questions in natural language and receive direct answers from the data and AI models. This enables users to gain insights without the need for in depth technology and coding knowledge.
 - 6.3. This proof of concept took place in a controlled, production-grade environment using the existing dataset associated with the Audit Outcomes data product. Key findings included:
 - 6.3.1. Accuracy and reliability: natural language queries delivered results that matched source data accurately.

- 6.3.2. Speed and efficiency: Ad-hoc analysis was completed in seconds instead of hours or days.
- 6.3.3. Broader access and usability: Natural language querying reduced reliance on SQL skills. This will enable a wider audience within Inland Revenue to access to DIP data without technical barriers.
- 6.4. We are currently evaluating the appropriate rollout process to give staff access to Audit Outcomes data available securely.
- 6.5. We are identifying and prioritising other high-value data domains for Cortex AI enablement and will begin to pilot these.
- 6.6. In the future, with the addition of other features available in the platform, we can consider automation possibilities at scale, securely, with data not leaving our platform boundaries.
- 7. We have initiated further work on the use of AI to support customer compliance outcomes.
 - 7.1. A workshop was held with leaders and analysts within Customer Compliance Services (CCS) to identify key business processes where AI could enhance efficiency and boost productivity.
 - 7.2. Key themes from the workshop have been identified, and the process of determining and prioritizing potential AI use cases is in progress.
 - 7.3. Work has been initiated on producing a business value map which will clearly identify prioritised areas of investment in AI to help achieve prioritised business outcomes.

Proofs of Concept/Pilot initiatives

- 8. The following use cases are being evaluated and rolled out at Inland Revenue, if proven successful and capacity is available.

New initiatives since our last briefing to you

Initiative	Details
<p>E-Learn development software</p> <p>AI assistance within Articulate360 software which enhances and accelerates the eLearning content creation process</p>	<ul style="list-style-type: none"> • Six-month pilot commenced October 2025. • Pilot activated the AI assistant for Inland Revenue's 23 licenses of Articulate360. • This will support the creation of eLearning materials across all business groups through the Organisational Learning team. • Increased productivity is expected with a reduction in time spent drafting content and developing learning materials.

Update on initiatives previously reported on

Initiative	Key findings and next steps
<p>Legal Research Summarisation</p> <p>Provides AI-powered support for legal and research workflows by enabling natural language queries,</p>	<ul style="list-style-type: none"> • We beta tested a generative AI tool to assess usability and alignment with our research workflows (Lexis+AI). • Features included "ask a legal question", case summarisation, and document interpretation via natural language prompts.

Initiative	Key findings and next steps
<p>case and document summarisation, and efficient information retrieval.</p>	<ul style="list-style-type: none"> • s 9(2)(b)(ii), s 9(2)(g)(i) • We will continue to explore AI-enabled research offerings from other Library databases, CCH and Westlaw.
<p>IT Service Management (ServiceNow Platform)</p>	<ul style="list-style-type: none"> • The proof of concept, focused on learning and testing of ServiceNow’s generative AI capabilities to support IT service management functions, has completed. This trial used no IR data or configuration. • Initial findings indicate that the generative AI capabilities of the tool may reduce time and effort for IR staff in their interactions with ServiceNow. • s 9(2)(b)(ii), s 9(2)(g)(i)
<p>Microsoft Copilot Studio Agent</p> <p>Tailored and purpose-built AI Agent solutions that use internal information across corporate platforms to enable better decision making and possible automation.</p>	<ul style="list-style-type: none"> • A custom AI Technology Agent “Tech Buddy” was built using Copilot Studio to answer IT queries and raise ServiceNow tickets. • This pilot has now extended to 200 staff. • We are now in the process of evaluating where AI agents will add most value to our business in a safe and secure manner
<p>Microsoft Purview Enhancements</p>	<ul style="list-style-type: none"> • Microsoft Purview is a suite of services for data and information governance, protection, and management within M365. • By implementing MS Purview capabilities, we are strengthening our compliance posture, improving information security, and enabling responsible data use. This toolset also moves us towards preventative controls, supporting our organisation to more safely adopt new AI technologies (such as the current M365 Copilot deployment) and is a key focus over the coming months. • The Microsoft Purview Enablement Initiative was established to implement foundational capabilities – including label classification, Data Loss Prevention (DLP) rules, and Data Security Posture Management (DSPM) – alongside a sustainable operating model to ensure these services are maintained and continuously improved. • As part of this initiative, IR has updated and improved our classification labels. The labels were implemented for all Inland Revenue staff on 10 November 2025. This release included the creation of new security controls (DLP) that help protect our sensitive information from being accidentally or improperly shared; and enabling a reporting tool (DSPM) which provides visibility of how AI tools are

Initiative	Key findings and next steps
	being used across the organisation and identifies potential risks. Following early life support, the foundational operating model will be introduced in early December.

AI Capability Uplift

9. The organisation-wide phased roll out of Microsoft 365 Copilot across Inland Revenue includes several training sessions to support the safe use of the tool by our people. There is also a focus on providing domain specific training for our staff (for example, solicitors, communications experts, frontline, analysts) to enable staff to use Copilot more efficiently and effectively in the role they do.
10. A framework has been developed to support our people when undertaking AI testing. It provides guidance and best practice for our people to ensure testing can be done effectively and results can be documented in a consistent format.

OECD engagement

11. Work continues on the OECD project D - Use of Trustworthy AI in Tax Administration report, which New Zealand is contributing to.
12. Tax administration representatives across OECD have launched a knowledge-sharing workstream to help disseminate key insights and learnings – the topic of the first session is Measuring the Impact of AI in Tax Administration, with presentations from China, France and Canada.

Public Sector and Government Chief Digital Officer (GCDO) engagement

13. We continue to actively share our knowledge and resources with the GCDO and a range of agencies to support the wider public service's uptake of AI. This includes governance instruments, reusable use case specific documentation, AI evaluation approach and specification, proof of concept findings and AI literacy training material.
14. Inland Revenue's AI literacy training materials have also been shared with Australian government agencies, state and local government, and government business enterprises.
15. Officials attended a cross-agency roundtable on AI regulation, led by the Ministry for Regulation. The session was intended to help identify shared priorities and potential areas for collaboration, as well as inform future Ministry guidance and workshops on AI in regulation.
16. IR Officials participated in a session with the National AI Advisory Group organised by GCDO and provided input and context for the group on the use of AI within the public sector.
17. The GCDO and Inland Revenue have engaged in early discussions on working together on safe trialling spaces for AI in the public sector.

Key risks and challenges

18. The key risks and challenges discussed in my previous note to you (IR2025/365) continue to be relevant this quarter. This section will note additional risks and challenges.
19. Movement of data and information from core systems into AI models can result in degradation of security controls. We are focussed on ensuring that the appropriate controls are in place as we navigate the rollout of M365 Copilot.

20. s 9(2)(g)(i)

21. Vendors are releasing new features and functionality at pace. To ensure safe and responsible adoption of these rapidly evolving AI capabilities, all new features must undergo thorough evaluation before being made available to staff. This approach supports deliberate, controlled, and secure utilisation of emerging technologies.

Key next steps/focus areas

22. Value mapping and prioritisation of AI use to support Customer Compliance Services.

23. Further enhancements to intelligent models which support debt collection and related analytics.

24. Further work with Microsoft Purview for increasing assurance controls on our AI investments

24.1. The future roadmap for this initiative focuses on enhancing the foundational functionality, while exploring additional capabilities. Key priorities include automatically identifying, classifying, and potentially excluding certain data types for AI use, automated identification of unethical or risky behaviours, and exploring the potential integration of Purview capabilities into a range of digital platforms across the organisation.

25. We have commenced the 'Strategic Approach to Content' programme of work to ensure Inland Revenue's external content is fit for the future. The way in which people are searching for information online has evolved rapidly in recent years. Tools like Copilot, ChatGPT or Siri are becoming the norm. These tools search for publicly available information (such as our website) for answers. We need to ensure IR content is surfaced as the authoritative source of tax advice and guidance no matter where or how our customers find it.

Recommended action

We recommend that you:

1. **Note** the contents of this report.

Noted

s 9(2)(a)

Brijesh John
Domain Lead, Strategic Architecture

Hon Simon Watts
Minister of Revenue
/ /2025