Inland Revenue
Te Tari Taake

26OIA2478

8 July 2026

[redacted]

Dear [redacted]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 29 June 2026. You requested copies of the following documents:

- *IR2026/143: Draft Cabinet paper – Taxation (Budget Measures) Bill (No 3): Approval for introduction*
- *BN2026/131: Australian non-resident capital gains tax changes*
- *BN2026/148: Budget Bill - Family scheme income legislative flexibility*
- *BN2026/151: Australian federal budget 2026-2027 key points*

Information being released

I am releasing, enclosed as an **Appendix,** *BN2026/151: Australian federal budget 2026-2027 key points*. Some information is withheld section 9(2)(a) of the OIA, as the withholding of the information is necessary to protect the privacy of natural persons.

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.

Information withheld

I am withholding *BN2026/131: Australian non-resident capital gains tax changes* in full under section 6(a) of the OIA, as making available of that information would be likely to prejudice the security or defence of New Zealand or the international relations of the Government of New Zealand.

Information publicly available

Your request for the following documents is refused under section 18(d) of the OIA, as the information will be published as part of Inland Revenue's Budget 2026 proactive release:

Date	Document
01/05/2026	IR2026/143: Draft Cabinet paper – Taxation (Budget Measures) Bill (No 3): Approval for introduction
08/05/2026	BN2026/148: Budget Bill - Family scheme income legislative flexibility

Where information is withheld in the documents listed above, the relevant OIA withholding ground is described.

Right of review

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

Felicity Barker
Policy Lead, Economics

Briefing note

Reference	BN2026/151
Date	15/05/2026
To	Revenue Advisor, Minister of Revenue – Angela Graham Private Secretary, Minister of Revenue – Melissa Zhen Revenue Advisor, Minister of Finance – Carl Harris
From	Hien Nguyen
Subject	**Australian federal budget 2026-2027 tax reforms: Key points**

Purpose

1 The purpose of this briefing note is to outline the key points in the main tax reforms released in the Australian Federal Budget 2026-2027 on 12 May 2026.

Key tax reforms in themes

2 The Budget included a range of tax reforms focussed on three main purposes:

- To make the tax system fairer for workers, homebuyers and future generations
- To make a better tax system for businesses, and
- To make a simpler and more sustainable tax system

3 The Government's tax reform package is broadly revenue neutral over the forward estimates.

4 Below is a summary of the key tax reforms in each theme, the purpose of the reforms, a brief comparison to New Zealand and commentary where relevant.

A fairer tax system for workers, homebuyers and future generations

5 The announcements under this theme are aimed at ensuring income from assets is taxed more fairly and consistently. These reforms include replacing the capital gains tax discount with an inflation-indexed discount and limiting negative gearing for residential property to new builds, so that support is better targeted to increasing housing supply, and encouraging first homebuyers to enter the market. The Government is also implementing a 30 per cent minimum tax on real capital gains and on the taxable income of discretionary trusts while reducing taxes on income earned from work through the Working Australians Tax Offset.

6 The overall fiscal impact of Australia's reforms to capital gains tax and negative gearing is cost savings of AUD 3,630 million over the forecast period to 2029-30.

Capital gains tax

7 Capital gains are the income earned from an increase in asset values over time – such as for shares or investment properties. Under current rules, capital gains income earned by individuals, partnerships and trusts is added to taxable income and taxed at marginal rates. The 50 per cent capital gains tax discount applies to halve the gain that is added to taxable income.

8 The Budget changes replace the 50 per cent discount with a discount based on inflation and introduce a minimum 30 percent tax on net capital gains from 1 July 2027. These reforms will only apply to gains arising after 1 July 2027. Investors in new builds will be able to choose the 50 per cent capital gains tax discount or the new rules.

9 The reform means that investors will only pay tax on their real capital gain, restoring the original intent of the capital gains tax arrangements.

Negative gearing

10 Negative gearing is where the costs of owning an investment property, such as housing, exceed the income it produces. Individuals who are negatively geared have been able to deduct their loss against other income, such as salary and wages.

11 To focus tax support on new supply, the Government will limit tax deductions from negative gearing to new builds from 1 July 2027. Existing arrangements will remain unchanged for all properties held before Budget night. Investors who buy established housing after Budget night will now only be able to deduct losses against residential property income. They will be able to carry forward unused losses to future years but will not be able to deduct them against other income like wages.

12 In New Zealand, losses from rental properties can only be carried forward against income from residential property in future years.

A better tax system for businesses

13 The Budget also focuses on strengthening Australia’s attractiveness as a place to invest, innovate, and grow across the business lifecycle. The business tax reforms focus on supporting sensible risk-taking, enabling investment, and enhancing firms’ ability to withstand temporary losses.

14 The reforms include reintroducing and expanding loss refundability for businesses, expanding venture capital incentives, better targeting the Research and Development Tax Incentive, and improving cash flow for small businesses.

Reforming loss refundability for businesses

15 The Government considers that the current tax treatment of losses discourages risk taking. This is because firms are taxed on their profits immediately, but do not receive a tax benefit from losses unless (and until) they are profitable. This asymmetry can discourage riskier investments and slow economic dynamism.

16 The Government’s reforms to reducing the tax system’s bias against risky investments aim to increase both the quantity and quality of investment, with positive flow-on effects for productivity, real wages and employment.

17 **Loss carry back for companies with less than AUD 1 billion aggregated annual global turnover:** For tax years commencing on or after 1 July 2026, companies with aggregated annual global turnover of less than AUD 1 billion will be able to carry back a tax loss, incurred in the 2026-27 income year (and onwards) and offset it against tax paid up to two years earlier. Loss carry back will apply to revenue losses only and will be limited by a company’s franking account balance.

18 **Loss refundability reforms for small start-ups**: For tax years commencing on or after 1 July 2028, the Government will also introduce loss refundability for small start-up companies. Start-up companies with aggregated annual turnover of less than AUD 10 million that generate a tax loss in their first two years of operation will be able to utilise the loss to generate a refundable tax offset. The offset will be capped at the amount of employment-related taxes paid (that is, withholding tax on employee wages and Fringe Benefits Tax) in respect of Australian employees in the loss year.

19 In New Zealand, losses cannot be carried back or refunded although there are specific rules around research and development (see below).

Better targeting the Research and Development Tax Incentive

20 The Research and Development Tax Incentive (R&DTI) is Australia's largest programme supporting business R&D. The R&DTI provides tax offsets for eligible R&D at premium rates above a firm's tax rate.

- Firms with turnover below $20 million receive a refundable offset equal to their company tax rate plus 18.5 percentage points.
- Firms with turnover above $20 million receive a non-refundable offset, with higher rates for businesses with a higher R&D intensity.

21 The Ambitious Australia Report found that while the R&DTI supports innovation, it has become increasingly complex for businesses. The reforms in this Budget re-target and simplify the R&DTI to better incentivise additional business R&D while improving fiscal sustainability.

22 Table 1 below summarises the Australian R&DTI offset changes that will be implemented from 1 July 2028 and compares them with New Zealand's RDTI rules. Importantly, Australia's new incentive rates will apply to a more limited range of expenditure, as supporting expenditure will no longer be eligible from 1 July 2028. The overall fiscal impact of Australia's R&DTI reforms is cost savings of AUD 650 million over the forecast period to 2029-30.

Table 1: Comparison between Australia's and New Zealand's R&DTI schemes

	Current Australia's R&DTI	**New Australia's R&DTI from 1 July 2028**	**New Zealand's R&DTI**
Small and medium businesses	Small and medium is less than AUD 20 million turnover 18.5% incentive and refundable	Small and medium is less than AUD 50 million turnover 23% incentive and only refundable if business is less than 10 years old	15% incentive and refundable up to labour-related taxes, regardless of business size
Large businesses	8.5% incentive A higher 16.5% incentive if R&D spending is more than 2% of total spending by the firm Not refundable	13% incentive A higher 21% incentive if R&D spending is more than 1.5% of total spending by the firm Not refundable	15% incentive and refundable up to labour-related taxes, regardless of business size and R&D intensity
Eligible activities / spending	Core and supporting R&D activities	Core R&D activities only (**supporting becomes ineligible**)	Core and supporting R&D activities
Minimum annual expenditure to claim tax incentive	AUD 20,000 per year	AUD 50,000 per year	NZD 50,000 per year
R&D expenditure cap (no additional credits can be claimed above this amount of eligible spending)	AUD 150 million per year	AUD 200 million per year	NZD 120 million per year but IRD and MBIE can approve a higher amount of annual spending

Expanding venture capital tax incentives

23 The Government considers young and fast-growing businesses make a disproportionate contribution to productivity growth by introducing new ideas and innovations. However, those firms have limited access to traditional finance and increased reliance on personal savings or informal funding. Venture capital plays a critical role in supporting these businesses by providing ‘patient capital’, industry expertise, and access to professional networks.

24 Venture capital investors can operate through venture capital limited partnerships (VCLPs) and early-stage venture capital limited partnerships (ESVCLPs), providing flow-through tax treatment and exemption from income tax for certain disposals of assets. The two schemes have slightly different focusses (in terms of investors and types of investment) but have very similar rules.

25 These tax incentives are capped to focus support on early-stage and expanding businesses, but most caps have not been updated since 2002 for VCLPs and 2007 for ESVCLPs. For years commencing on or after 1 July 2027, the Government will expand the venture capital tax incentives by uplifting the caps to align with inflation.

Making the instant asset write-off permanent:

26 From 1 July 2026, the Government will permanently extend the AUD 20,000 instant asset write-off for businesses with turnover up to AUD 10 million. This reform will provide long-term certainty so small businesses can invest with confidence.

27 The low value asset threshold in New Zealand is NZD 1,000 for all businesses.

28 Table 2 below summarises the receipts and administered payments impacts of the business tax reforms mentioned above.

Table 2: Summary of fiscal impacts of business tax reforms

Tax reform	**2026-27** (AUD million)	**2027-28** (AUD million)	**2028-29** (AUD million)	**2029-30** (AUD million)	**Total over forecast period** (AUD million)
Loss refundability reforms for businesses and start-ups	-	-900	-720	-1,050	-2,670
Better targeting the R&DTI	-	-	-30	680	650
Expanding venture capital tax incentives	-	..	..	-10	-10

Note: Impacts for loss refundability reforms for businesses and start-ups, and R&DTI reforms include refundable tax offsets, which are formally classified and reported elsewhere in the budget as administered payments.

A simpler and more sustainable tax system

29 From 2026–27, a new instant tax deduction of up to $1,000 will simplify work-related expense deductions.

30 The Government is also improving business cash flow by making it easier for businesses to change their pay as you go (PAYG) instalments when business conditions change, by: expanding access to the ATO’s dynamic instalments pilot using business software to more accurately calculate PAYG instalments, and providing businesses with flexibility to opt in to monthly PAYG instalments from 1 July 2027.

31 This proposal does not resemble the Paygo proposal in New Zealand's intermediaries project. The Australia's "dynamic instalments pilot" is an attempt at replicating New Zealand's existing Accounting Income Method (AIM) provisional tax method which is available to certain small businesses. We understand from the ATO that this pilot has not been overly successful to date for a number of reasons.

32 The second change in Australia's reforms above is simply to allow businesses to pay their PAYG (equivalent to New Zealand's provisional tax) instalments monthly rather than quarterly. This is to allow businesses to vary their PAYG instalments on a more "real time" basis. It is also to be mandated for those with a history of non-compliance.

Australian Taxation Office (ATO) compliance funding

33 From 1 July 2026, the Government will provide the ATO with AUD 86.3 million over four years and AUD 9.7 million per year ongoing from 2030-31 to deliver Phase 2 of the Counter Fraud Strategy to modernise the prevention and detection of fraud in the tax and superannuation systems. In addition, the Government will also strengthen the ATO's powers to combat fraud, undertake recovery actions and share information.

Other tax reforms

Cutting taxes for working Australians

34 The Budget introduces a new tax cut for every working Australian taxpayer through the $250 Working Australians Tax Offset. This will provide workers with a permanent tax offset of $250 each year from 2027–28. This costs AUD 6.4 billion over the forecast period. This is on top of the three tax cuts the Government has already legislated for and the $1,000 instant tax deduction for workers from 2026–27 to help with the cost of living.

Fairer tax arrangements for discretionary trusts

35 The Australian Government will introduce a minimum tax of 30 per cent on discretionary trusts from 1 July 2028. This is aimed at avoiding income splitting (where trust income is diverted to lower income taxpayers). This raises AUD 4.5 billion over the forecast period. In New Zealand the trustee income tax rate is 39% unless the trust is small in which case it is 33%.

Fringe Benefits Tax

36 The Budget introduces phased changes to the electric vehicle Fringe Benefits Tax discount for zero emission vehicles from 100% to 25%. This raises AUD 1.7 billion over the forecast period. See Table 3 below.

Table 3: Phased changes to the zero-emission vehicle FBT discount

Period	Vehicle type	Exemption
Up to 31 March 2027	Zero emission vehicles up to AUD 91,387	Full FBT exemption
1 April 2027 to 31 March 2029	Zero emission vehicles ≤ AUD 75,000	Full FBT exemption
	Zero emission vehicles > AUD 75,000 and < AUD 91,387	25% FBT discount
1 April 2029 onwards	Zero emission vehicles < AUD 91,387	25% FBT discount

37 In New Zealand, under current FBT rules, no discount is offered for zero-emission vehicles, so they are subject to full FBT like a petrol-powered car. Under the proposed

changes in Budget 2026, zero-emission vehicles will be subject to FBT at a lower rate (due to the lower cost of operating them over petrol cars). That gives an effective discount of 28% over petrol powered cars. So, New Zealand will have a greater incentive after 1 April 2029.

International taxation developments

38 The Government will amend Australia's global minimum tax legislation to implement the side-by-side package agreed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting on 5 January 2026. The amendments will ensure Australia's global minimum tax rules are consistent with those of other implementing jurisdictions. The side-by-side package will apply from 1 January 2026.

39 New Zealand has incorporated the global minimum tax in domestic law by reference meaning that it automatically updates by reference to published OECD guidance. The application date for the side-by-side package was enacted in the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Act 2026 with effect from 26 December 2025.

Commentary

40 The Australian business commentary around the budget is fairly consistent with a broad agreement that it is generally headed in the right direction, with some positive impacts on investment and productivity but that greater (more systemic) tax reform is needed for long term economic sustainability. The Deloitte Australia budget insight provides an example of typical summary "The renewed appetite for change is welcome, and the proposals are generally sensible. But the package does not go far enough to be counted as ambitious tax reform".

41 That said there is some negative feedback, for example, CPA Australia have said that the measures "place a heavier burden on ordinary Australians while undermining investment, productivity and business confidence."

42 AMP economist Dr Shane Oliver questions the responsibility, productivity and fairness tagline arguing that while it is more responsible than previous Budgets, the continuing structural deficits, relatively low government spending cuts, reliance on bracket creep amongst other criticisms mean that positive impacts on productivity and fairness may not be so significant.

Hien Nguyen

Senior Policy Advisor

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