Inland Revenue
Te Tari Taake

27OIA1216

9 September 2026

Dear

Thank you for your request made under the Official Information Act 1982 (OIA), received on 28 August 2026. You requested the following:

> *I request a electronic copy of document IR2026/203 (Officials' report to the Minster of Finance regarding Investment Boost for long-term assets) under the Official Information Act 1982.*

Information being released

The information you have requested is enclosed as an **Appendix**. Some information has been withheld under the following OIA grounds, as applicable:

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

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.

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

Appendix

Tax policy report

Inland Revenue
Te Tari Taake

Investment Boost for long-term assets

Date	28 July 2026	**Priority**	Medium
Security level		**Report number**	IR2026/203

Action sought		**Deadline**
Minister of Finance	**Discuss** with Officials on 3 August 2026	3 August 2026
Minister of Revenue	**Discuss** with Officials on 3 August 2026	3 August 2026

Purpose
This report provides an explanation of the issues arising with Investment Boost and long-term construction assets such as infrastructure investment and commercial buildings. It follows correspondence received by Ministers and stakeholder feedback that uncertainty in tax settings is muting the impact of Investment Boost on investment with long lead times.

Contact for phone discussion, if required			
Name	**Position**	**Phone number**	**First contact**
Felicity Barker	Policy Lead	9(2)(a)	✓
Elly Ward	Principal Policy Advisor	9(2)(a)	☐

Investment Boost for long-term assets

Executive summary

1 Certainty around tax settings, including Investment Boost, is a significant concern for investors in long-term infrastructure projects. Stakeholders have advised that uncertainty about whether Investment Boost will remain available over the life of a project means it is not always being factored into investment decisions. This is a legitimate concern, particularly for projects with long development and construction periods, but it is not easily addressed through tax policy design because future governments cannot be bound.

2 Stakeholders have suggested bringing deductions further forward, for example by allowing deductions to be claimed progressively during construction rather than when an asset becomes available for use. While this may reduce investors' exposure to future policy change and improve project economics in some cases, it is unlikely to materially increase certainty for projects where investment decisions are made a few years before most of the construction expenditure is incurred. Bringing deductions further forward would have a fiscal cost and would also move away from New Zealand's established depreciation framework and would be unusual internationally.

3 Further accelerating deductions would also increase differences between investors. Investment Boost investors with existing taxable income would benefit while those without existing taxable income would not. This differential benefit becomes more pronounced as deductions are brought further forward, creating a less neutral outcome between incumbent businesses and new investment vehicles. Furthermore, bringing deductions further forward would have different impacts for different ownership structures. For example, when construction is undertaken by the ultimate asset owner further acceleration of deductions may improve the effective return on the investment, but for those investors that acquire assets after construction no benefit would be obtained.

4 We expect that certainty around Investment Boost settings will grow over time if stable policy settings are retained.

5 If the objective is to encourage additional infrastructure investment, it may be worthwhile considering a broader range of options rather than further changes to the timing of tax deductions. Imminent stakeholder engagement can test whether alternative measures may have a more direct influence on investment decisions. However, any alternative measures would require careful consideration of effectiveness, design complexity, distributional impacts and fiscal cost.

Background

6 Investment Boost was introduced in Budget 2025 as part of the Government's broader productivity and growth agenda. The policy seeks to encourage additional capital investment in New Zealand by allowing an accelerated tax deduction for investment in depreciable assets, including a partial deduction for eligible commercial buildings that are otherwise not depreciable for tax purposes.

7 The underlying rationale is that bringing forward or allowing tax deductions earlier can improve the after-tax rate of return on investment and increase the range of projects that meet required investment thresholds.

8 Stakeholder feedback has identified that when there is a long lead time between the investment decision and the finalisation of the asset construction, uncertainty in the tax settings, and in particular uncertainty as to whether Investment Boost will be retained, means it is not always factored into investment decisions. As a result, the impact of the policy on increasing investment is reduced.

Potential solutions and results of initial discussions

9 Regulatory and tax certainty for long-term construction projects is a common concern among international investors. However, our search of other jurisdictions' approaches has not revealed any easy solutions to uncertainty arising from potential law changes.

10 In the United Kingdom a recently introduced Advanced Tax Certainty Service targeted at significant infrastructure projects has attempted to alleviate concerns around tax certainty for projects by providing agreed tax outcomes for planned projects. The result is a process like the New Zealand binding ruling process (which is currently being utilised by some New Zealand taxpayers to obtain certainty around certain aspects of the Investment Boost policy). This approach, however, does not address legislative uncertainty (that is, the risk of repeal) because it does not protect the investor from the financial implications of a change in tax law.

11 This highlights the difficulty in providing certainty as to future law because it is not possible to bind future governments (IR 2025/455 refers). However, we have had initial discussions with relevant stakeholders to consider whether there may be other options to encourage increased investment in these types of longer-term projects. As discussed below, we are also planning further engagement.

Investment Boost and long-term construction projects

12 The issue of certainty mainly impacts on investment in infrastructure assets and commercial property given these assets may take several years to construct. For these assets, not all investors are affected by Investment Boost in the same way meaning a single solution to address uncertainty will not benefit everyone.

13 Suggestions put forward for tax deductions that would provide greater certainty for assets with long construction times include:

- Introducing a targeted deductions regime for qualifying large-scale, long-duration capital and infrastructure projects, allowing a fixed proportion of construction costs to be deducted progressively as they are incurred, with eligibility tightly scoped to projects likely to deliver economy-wide benefits.
- Allowing a portion of the Investment Boost deduction to be claimed progressively for qualifying capital expenditure during construction (for example, when construction begins, at defined completion milestones, or on certified progress payments), rather than only at completion.

14 The question is whether changing the timing of tax deductions is the best way to resolve the uncertainty. The effectiveness depends on the specific circumstances of the investor and the extent to which uncertainty is resolved.

Investor circumstances

15 The value of further accelerating deductions under Investment Boost depends on how the investment is structured, and whether the investor can use tax deductions immediately. For example:

- **New infrastructure vehicles and joint ventures:** These investments often generate tax losses during their initial years. Because deductions cannot generally be used until the investor is earning taxable income, further accelerating deductions may provide only limited additional value.
- **Existing profitable businesses:** Businesses already paying tax can generally use deductions immediately. For these investors, further accelerating deductions could improve project returns and may encourage additional investment that would otherwise not proceed.

- **Commercial buildings being constructed for sale:** If a developer is constructing a building, the Investment Boost deduction will generally be claimed by the purchaser. This means that the deduction is not available until the purchaser starts depreciating the asset. Further accelerating deductions would not provide additional value in this case.
- **Commercial buildings being constructed for own use:** If the ultimate owner constructs a commercial building themselves, further bringing forward deductions would be of benefit.

16 In practice, therefore, further acceleration of deductions is most valuable to investors that can utilise those deductions straight away (those that already have taxable income when the investment is made) and is of limited value to taxpayers whose investment has not yet generated income (for example, new ventures). It is also valuable to investors who construct their own commercial property because they would be able to claim earlier than under current rules, but not to those purchasing a commercial property.

17 Aside from the issue of uncertainty, there are other reasons Investment Boost may have a muted impact on some types of infrastructure assets. These issues are not addressed in this paper but do mean that accelerating deductions only addresses one factor. Other considerations include:

- **Public private partnerships (PPPs):** Under standard PPP structures, investors generally do not own the completed infrastructure asset and therefore do not receive depreciation deductions. As a result, Investment Boost will not influence investment decisions in these projects.
- **Regulated infrastructure businesses:** Some regulated infrastructure businesses, such as electricity distribution businesses, face specific issues arising from the way regulated returns are calculated. This may affect the value they receive from Investment Boost.

Impact on uncertainty

18 The other consideration is the extent to which further accelerating deductions improves certainty.

19 For investments with long construction times, the options do not provide a significant shift in the level of certainty because the relevant legislation could be repealed before most of the expenditure is incurred. As a result, uncertainty remains for future expenditure. This means the suggested options are not likely to encourage further investment in assets with long construction times.

20 Uncertainty may, however, be substantially resolved for projects with a relatively short lead time. However, if there is still some uncertainty, the options may not have a large impact.

Fiscal cost

21 While the options do not substantially resolve the issue of certainty, they would have a fiscal cost.[1] A very preliminary estimate of the fiscal cost is a largely one-off cost of around $1 billion[2] over the forecast period (IR2025/455 refers).

22 Consequently, if these stakeholder options were to be considered further, it would be worthwhile also assessing other options such as infrastructure grants and investment

[1] Although it would be theoretically possible to provide an equivalent benefit earlier (so a lower rate than Investment Boost but earlier during construction to make the two numbers equivalent), it would be extremely hard to estimate what that percentage would be with any degree of accuracy.

[2] As noted in IR 2025/455, there is a high level of uncertainty around this costing. This costing assumes all capital expenditure incurred from May 2026 would be able to claim Investment Boost using an expenditure-incurred method. The cost is mostly a one-off transition cost and after the forecast period the annual cost approaches zero. The costing is highly sensitive to assumptions around construction times and how the transition rules would be designed.

incentives that may be more effective at encouraging additional investment and could be more targeted.

23 On a technical level, neither stakeholder option is simple. Both options move the tax system away from the established depreciation regime and would require legislation to reconcile the new regime and the depreciation regime (including dealing with failed projects for example). This would be complex, particularly on transition, and create new uncertainties and boundaries. While claiming deductions based on expenditure incurred is not without precedent, the limited regimes where it is used (for example, petroleum and mineral mining) often require practical management of the rules that would not be easy to apply more broadly.

Initial discussions with stakeholders

24 Inland Revenue and the Ministry of Business, Innovation and Employment (MBIE) have set up several workshops with key stakeholders. The purpose of the workshops is to deepen our understanding of how investment decisions are currently being made, how tax settings are incorporated into those decisions, and how Investment Boost is operating in practice. We were particularly focused on hearing from those directly involved in capital allocation and investment decision-making.

25 Capital investment decisions may have slightly different areas of emphasis depending on whether the purchase is an additional piece of plant and equipment or long-term construction project evaluation, so we divided the workshops into three main categories:

- Infrastructure – to be co-convened with Infrastructure New Zealand.
- Commercial property – co-convened with the Property Council New Zealand. This involves a workshop with the Industry Leaders advisory group on 31 July 2026.
- General business – we contacted Business Central, but this has not generated much interest in a workshop at this stage, so we are focusing instead on further targeted discussions with specific interested manufacturers and other similar stakeholders.

26 We also held a series of discussions with interested parties including Federated Farmers, and received specific feedback from manufacturers, which included examples of how Investment Boost helped in specific circumstances.

27 In the context of long-term assets, the most relevant discussions are those with infrastructure and commercial property stakeholders. At the time of this report, we have not held the workshops, although the Property Council workshop is due to happen on 31 July 2026. Inland Revenue can give a verbal update at the meeting of 3 August 2026.

Summary of treatment in other countries

28 We reviewed the use of accelerated deductions to encourage long-term construction in other countries. There are limited examples as accelerated depreciation regimes are often targeted at plant and machinery investment. Irrespective of the target assets, the deduction is generally based on asset usage (similar to our available-for-use concept, which triggers the Investment Boost deduction in New Zealand) not expenditure incurred.

29 In the United Kingdom, investment allowances accelerating depreciation (or super deductions) only apply to plant and machinery. Structures and buildings are generally depreciable over a longer period (currently at a 3% rate). All the deductions start at the later of asset use and payment for the asset.

30 Australia has depreciation called capital works deductions for buildings, etc, (at rates between 2.5% and 4%) that start when the asset is in use. Temporary accelerated depreciation regimes excluded capital works and were based on asset use.

31 Canada's newly reintroduced accelerated depreciation regime is very similar to ours in that it is broad in scope including long-term infrastructure investment. Tax eligibility is

also generally determined by the asset's available-for-use date, leaving investors similarly exposed to future legislative change during lengthy construction periods.

Other Investment Boost feedback

32 In March Inland Revenue provided the results of a survey on the awareness, uptake, and impact of Investment Boost (BN 2026/35 refers). This survey found that around half of the relevant respondents had changed their forward investment plans due to Investment Boost.

33 Inland Revenue has also been monitoring uptake through the standard channels: the IR10 Financial Statements Summary (IR10) and the Business Compliance Package (BCP) Survey. IR10s are primarily received from small and medium-sized enterprises, while the BCP collects information from larger firms.

34 Both sources are collected on an annual basis, based on backward-looking financial information. While data for the 2025–26 financial year IR10 is starting to come in, very little quantitative data is available at this stage. Of the businesses that reported some additions to fixed assets for the 2025–26 tax year, 44% reported that they had claimed Investment Boost deductions for some or all of their investment.

35 The BCP elicited information on changes to forward plans. While we are currently discussing responses with firms, initial responses are consistent with Investment Boost having a more limited impact on large-scale investment.

36 Discussions with Federated Farmers around uptake of Investment Boost highlighted some common themes:

- Many factors affect farmers' investment decisions, with tax only being one and often not the main one.
- In terms of improving productivity, regulatory barriers such as resource management are seen as more significant.
- Overall, Investment Boost is seen as positive and while the impact is likely small an important message was "it all adds up".
- It is most effective for larger investment decisions such as conversions.

37 9(2)(b)(ii), 9(2)(f)(iv) [redacted]

38 This is consistent with other anecdotal feedback and consistent with the acknowledgement that a higher rate of Investment Boost would likely stimulate investment more, particularly in assets that are available for use on purchase.

39 It should be noted, however, that this discussion around the rate was not extended to determine whether there would be a preference for the same fiscal cost to be spent in different ways in the agriculture and manufacturing sectors to help productivity.

40 MBIE and Treasury were consulted on this paper.

Recommendations

We recommend that you:

1	**Discuss** the paper with Officials at the meeting on 3rd August 2026.	
	Discuss - yes / no	Discuss - yes / no
	Minister of Finance	*Minister of Revenue*

Felicity Barker
Policy Lead
Policy | Inland Revenue
28 July 2026

9(2)(a)

Hon Nicola Willis
Minister of Finance
/ /2026

Hon Simon Watts
Minister of Revenue
/ /2026