

30 September 2026



Dear 

Thank you for your request made under the Official Information Act 1982 (OIA), which was transferred from the Minister of Revenue's office on 2 September 2026. You requested the following:

Inland Revenue Briefing Note BN2026/214: Information release for review: Budget 2026 proactive release

Inland Revenue Report IR2026/162: Outcomes from targeted consultation on approved issuer levy

Inland Revenue Briefing Note BN2026/217: Average personal tax rates and fiscal drag

Inland Revenue Report IR2026/171: GST items recommended for inclusion in 2026 27 Annual Rates Bill

Inland Revenue Report IR2026/203: Investment Boost for long-term assets

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) – to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information,
- 9(2)(g)(i) - the withholding of the information is necessary 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, 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.

Please find enclosed the following documents:

Item	Date	Document	Decision
1.	15/07/2026	BN2026/217: Average personal tax rates and fiscal drag	Partially released with redactions under section 9(2)(a)
2.	13/07/2026	Briefing Note BN2026/214: Information release for review: Budget 2026 proactive release	Partially released with attachments withheld under section 9(2)(a), 9(2)(f)(iv), 9(2)(g)(i)
3.	28/07/2026	IR2026/203: Investment Boost for long-term assets	Partially released with redactions under section 9(2)(a), 9(2)(b)(ii), 9(2)(f)(iv)

Please note that for *BN2026/214* the attachments have been removed as they are draft versions. The final version of this proactive release can be found at the following link: <https://www.taxpolicy.ird.govt.nz/publications/2026/ir-budget-2026>.

Information publicly available

Your request for the following documents is refused under section 18(d) of the OIA, as the information is or will soon be publicly available on Inland Revenue's tax policy website ([taxpolicy.ird.govt.nz](https://www.taxpolicy.ird.govt.nz)).

Item	Date	Document
1.	15/07/2026	IR2026/162: Outcomes from targeted consultation on approved issuer levy
2.	17/07/2026	IR2026/171: GST items recommended for inclusion in 2026/27 Annual Rates Bill

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



Maraina Hak
Policy Director

Briefing note



TE TAI ŌHANGA
THE TREASURY



Inland Revenue
Te Tari Taake

Reference BN2026/217

Date 15/07/2026

To Revenue Advisor, Minister of Finance – Carl Harris
Revenue Advisor, Minister of Revenue – Angela Graham
Private Secretary, Minister of Revenue – Melissa Zhen

From Sandra Watson

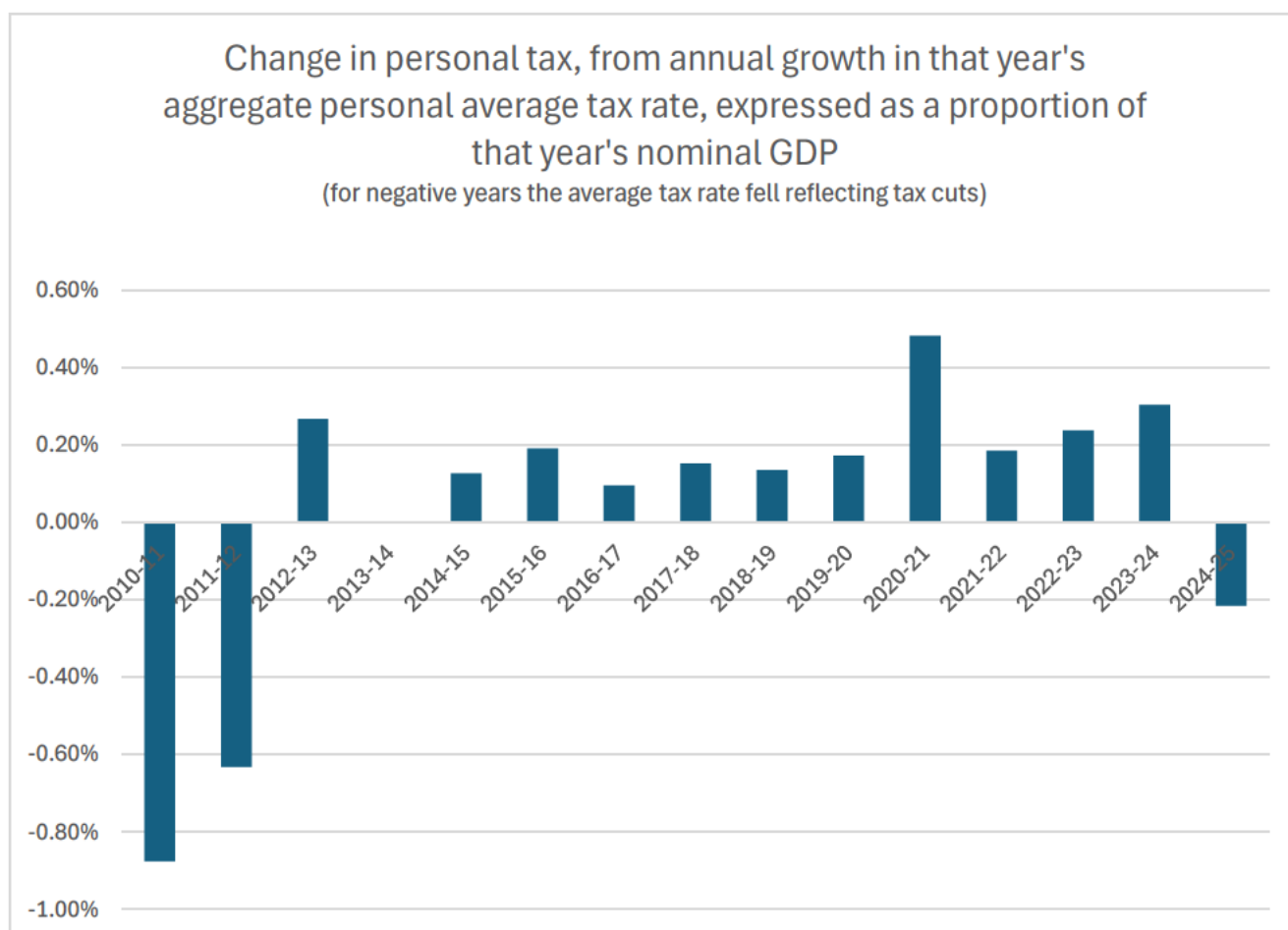
Subject **Average personal tax rates and fiscal drag**

- 1 In response to an 8 July 2026 request from the Minister of Finance's office, this report provides a technique to calculate the fiscal impact of rising average tax rates using published aggregate data.
- 2 On 9 December 2025, we reported on assessing the impact of inflation on average tax rates (refer IR2025/483, T2025/3051). The report used the analytical framework of CPI-indexing tax brackets from October 2010 to the 2024 March year and used 2023-24 personal income data to assess the additional tax collected relative to not indexing thresholds. The approach gave a result that between 2010 and 2024 fiscal drag had increased revenue by 1.6 percent of GDP, and further that the Budget 2024 changes would reduce this calculation to 1.0 percent of GDP. Fiscal drag refers to the impact of a progressive personal tax scale where, over time and because of rising incomes, an increasing proportion of income is taxed at higher marginal tax rates.
- 3 Referencing the abovementioned report, the specific request was for whether it was appropriate to divide the results in the report by the number of years to estimate the average fiscal drag per year. That approach is fine, but it is specific to that analytical framework of using price-indexing as the adjusting factor and the chosen reference points.
- 4 Another way to look at the impact of fiscal drag over time is to use aggregate annual published data and to calculate the average tax rate (tax divided by income) each year. Between any two March years, the average tax rate is likely to grow in years with a tax rate increase or years without a tax scale change and reflecting personal income growth. It is likely to drop, or to grow less strongly, in years impacted by a tax cut. The tax impact of fiscal drag in any one year can be calculated in aggregate by taking the income in that year and calculating how the tax would differ had the year-minus-one average tax rate been applied instead.
- 5 Unlike the calculation method used in the report, this method is tied to using annual aggregate data, in this case March years, as this becomes available. It will capture the impact of distributional changes over time. The table provided in the appendix uses the technique described in paragraph 4 and, similarly to the earlier report, compares this to the income measure of nominal GDP. The data is sourced from the links below. Figures coloured orange in the table are derived from 2024-25 personal tax information not yet published but once finalised it will be publicly available after the second week of October.

Inland Revenue data: [Tax on taxable income datasets](#)

Statistics NZ data (Seasonally adjusted series of nominal GDP, income measure): [Gross domestic product: March 2026 quarter](#) | [Stats NZ](#)

- 6 The calculation gives a negative result (a decline in the average tax rate) for the March years 2010-11, 2011-12, and 2024-25, all of which included a part-year impact from a within-year tax cut. The October 2010 tax scale change impacted half of a March year in each of 2010-11 and 2011-12, and the Budget 2024 tax scale change impacts 66.6% of March year 2024-25. All other years, coloured blue in the table, show an increase in the average tax rate and hence personal tax in that year was higher than it would have been had the average tax rate remained unchanged from the prior year. Expressed as a percentage of GDP, the blue-coloured annual calculations average 0.20% of GDP. This long-term average drops of 0.16% when also including the 2025 March year which contains a part year impact from the July 2024 tax bracket change.
- 7 A graph of the calculations in the final column of the table is shown below for your convenience. The unusual peak in 2020-21 reflects a temporary distributional change, with additional dividends paid out in that year in advance of the 39% personal tax rate taking effect. The long-term average calculation would be smaller (0.17% to 2023-24 and dropping to 0.14% to 2024-25) if excluding the 2020-21 year.



- 8 The main difference between the two approaches is that approach in the December 2025 report measured fiscal drag from price-inflation, and the approach described above and shown in the appendix measures fiscal drag from total income growth (wages and other sources, which do not necessarily move perfectly with price-inflation). Different approaches and different reference points will give different results. Which approach to use depends on which aspect you are wanting to consider: price-inflation as a driver, or income growth more generally.

Next steps

9 This note is for your information only.

Sandra Watson

Policy Lead, Forecasting and Analysis, Inland Revenue

s9(2)(a)

Peter Gardiner

Forecasting and Monitoring manager – The Treasury

s9(2)(a)

Appendix: Average personal tax rate calculations, 2009-10 to 2024-25

March year	Explanatory events	Nominal GDP (Income measure, March year, seasonally adjusted), \$m	Personal taxable income (\$M)	Personal tax (\$M)	Average tax rate (ATR)	ATR prior year	Change in personal tax if prior year ATR remained (\$M)	Tax change attributable to a changing ATR as a percentage of that years GDP
2009-10		194,772	118,338	25,338	21.4%			
2010-11	mid year tax cut	203,856	121,370	24,202	19.9%	21.4%	1785	-0.88%
2011-12	full year impact of above	213,230	130,432	24,661	18.9%	19.9%	1348	-0.63%
2012-13		217,920	138,007	26,676	19.3%	18.9%	-583	0.27%
2013-14		232,717	142,387	27,528	19.3%	19.3%	-5	0.00%
2014-15		242,854	149,893	29,288	19.5%	19.3%	-309	0.13%
2015-16		255,521	157,771	31,316	19.8%	19.5%	-489	0.19%
2016-17		271,517	165,874	33,186	20.0%	19.8%	-262	0.10%
2017-18		290,757	176,081	35,671	20.3%	20.0%	-443	0.15%
2018-19		306,179	187,284	38,354	20.5%	20.3%	-413	0.14%
2019-20		323,718	199,738	41,463	20.8%	20.5%	-559	0.17%
2020-21	larger dividends	329,153	217,897	46,820	21.5%	20.8%	-1587	0.48%
2021-22	39c tax rate (full year)	358,641	224,764	48,961	21.8%	21.5%	-665	0.19%
2022-23		393,794	243,496	53,978	22.2%	21.8%	-937	0.24%
2023-24		417,477	267,989	60,677	22.6%	22.2%	-1269	0.30%
2024-25	part year tax cut	432,088	278,230	62,065	22.3%	22.6%	931	-0.22%
2025-26	full year impact of above	451,249						

Average 0.20%

Average including 2025 0.16%

Source SNZ website

Gross domestic product: March 2026 quarter | Stats NZ

Source IR website

Tax on taxable income datasets

Source: Not yet published IR refresh, subject to change

Briefing note

Reference BN2026/214

Date 13/07/2026

To Revenue Advisor, Minister of Finance – Carl Harris
Revenue Advisor, Minister of Revenue – Angela Graham
Private Secretary, Minister of Revenue – Melissa Zhen

From Ella Yeatman

Subject **Information release for review: Budget 2026 proactive release**

Overview

- 1 This information release covers the Budget 2026 key advice papers provided to the Minister of Revenue from the Revenue Portfolio.
- 2 A list of documents identified as in scope of Inland Revenue's information release are listed below, with the proposed grounds for redactions noted. Joint advice with the Treasury will form part of the broader Budget 2026 information release, led by the Treasury.
- 3 Inland Revenue intends to align the publication of this release with the Treasury's release of Budget material.
- 4 The scope of the Budget 2026 information release is similar to prior years. Reports in the scope of this release include those that are:
 - Led by Inland Revenue,
 - Contain key advice to Ministers on Budget 2026 initiatives,
 - Not part of another agency's Budget 2026 information release, and
 - Not under active consideration.

Documents in this release

- 5 The documents included in the information release are appended to this briefing note.

Information withheld

- 6 Some of the information in scope of this release would not be appropriate to release and are withheld under grounds in the Official Information Act 1982 (OIA). Where this is the case, the relevant sections of the OIA that apply are identified.
- 7 Sections of the OIA under which information is withheld in this release:
 - Section 6(a) – to prejudice the security or defence of New Zealand or the international relations of the Government of New Zealand.
 - Section 6(c) – to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial.
 - Section 9(2)(a) – to protect the privacy of natural persons.

- Section 9(2)(b)(ii) – to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or is the subject of the information
- Section 9(2)(f)(iv) – to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials.
- Section 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 in the course of their duty.
- Section 9(2)(h) – to maintain legal professional privilege.

8 The basis for withholding information from advice proposed for proactive release is indicated in the appended table.

Initiatives wholly withheld

9 The following initiatives were considered as part of Budget 2026 but were not progressed. Ministers have indicated they are still under active consideration:

- Australian-style bank tax.
- Welfare form.
- s9(2)(f)(iv) [REDACTED].
- Stamp duty on tax non-residents initiative.

Key advice papers

10 Cabinet Office Circular CO (18) 4 states that “Ministers may also choose to proactively release related key advice papers provided to the Minister by departments or agencies.”. Officials have provisionally included key advice papers as part of this release because we consider the release of the Cabinet documents will result in an Official Information Act request for these papers in any event.

Risks and issues

11 Please note the following:

- Once the documents are public, Inland Revenue cannot control how they are interpreted or used by media, advocacy groups, or other parties.
- Officials’ advice on Budget 2026 initiatives could attract media coverage.
- Ministers may be asked to respond to media queries, especially if they include controversial or differing material. The release will cover projects at various stages of development.
- Some Budget 2026 documents include references to initiatives considered for Budget 2025 that were not previously released. There is no plan to proactively release the key advice papers for these initiatives, but they would be subject to release under the OIA if requested. This includes:
 - s9(2)(f)(iv) [REDACTED]
 - Imputation credit flushing.
 - Motor vehicle depreciation.

12 Risk mitigations include:

- Published Budget 2026 material should help ensure that public and media commentary reflects the overall direction and outcome of Budget and could help to balance the public conversation.

Specific comments

Tax and Social Policy Work Programme advice

- 13 Several Tax and Social Policy Work Programme (TSPWP) dashboard updates were provided to Ministers over the Budget 2026 process. Most dashboard updates were jointly prepared by Inland Revenue and the Treasury; therefore all dashboard updates will be published as part of the Treasury's Budget 2026 proactive release.

Charities and not-for-profits initiatives

- 14 Several initiatives are referred to in charities and not-for-profits advice that did not progress nor are under active consideration. These include:
- The business income tax exemption
 - The donor-controlled charities proposals.
 - The exemptions for herd improvement bodies and for bodies promoting scientific and industrial research.
 - Related work, such as on the refundability of imputation credits and the definition of charitable purpose.
- 15 We propose to release this advice in this information release, so all charities and not-for-profits advice is released collectively.
- 16 This does not include s9(2)(f)(iv), which did not progress through Budget 2026 but is under active consideration.

Budget 2026 announcements

- 17 Several initiatives were announced at Budget 2026, to be legislated in the upcoming annual rates tax Bill. Related advice papers will be released as part of the Budget 2026 information release but associated regulatory impact statements will become public when the Annual Rates Bill is introduced in September. These initiatives include:
- Several charities and not-for-profit changes.
 - Foreign investment fund changes.
 - Changes to financial arrangements rules to support migrants.
 - Non-resident contractors' tax modernisation measures.
 - Research and development tax incentive improvements.
 - Fringe benefit tax changes for motor vehicles.
 - Changes to thin capitalisation for foreign-owned banking groups.

Budget 2026 process documents

- 18 The documents in this release include reports and briefing notes relating to the overall Budget process. This includes documents for
- Initiative submission, and
 - Finalisation of Budget documents and fiscal and economic update documents.

Consultation

- 19 The Treasury, the Ministry of Foreign Affairs and Trade, the Ministry of Business, Innovation and Employment, the Ministry for Heritage and Culture, the Department of

Internal Affairs, the Ministry of Housing and Urban Development, and the Ministry of Justice were consulted on the release of information relevant to their agencies.

Approval

20 The draft information release was reviewed and approved by Maraina Hak (Policy Director).

Attachments

27. Attached to this briefing note are the draft information release documents with proposed redactions marked but not applied.

Ella Yeatman

Policy Advisor

s9(2)(a)

Documents in this information release

Reference	Title	Date	Information withheld
Budget 2026 documents			
Taxation (Budget Measures) Bill (No 3)			
IR2025/143	Draft Cabinet paper – Taxation (Budget Measures) Bill (No 3): Approval for introduction	01/05/2026	s 9(2)(a)
LEG-26-SUB-0094	Taxation (Budget Measures) Bill (No 3): Approval for Introduction	14/05/2026	NA
LEG-26-MIN-0094	Taxation (Budget Measures) Bill (No 3): Approval for Introduction	21/05/2026	NA
CAB-26-MIN-0178	Minute of Decision – Report of the Cabinet Legislation Committee: Period Ended 22 May 2026	25/05/2026	Partially not in scope
BN2026/172	Budget Bill: Summary of Committee of the whole House	04/06/2026	s 9(2)(a)
Budget 2026 reporting			
IR2026/081	Budget 2026: Regulatory impact statements for the Revenue portfolio	19/03/2026	s 9(2)(a) s 9(2)(f)(iv)
2026 Budget Economic and Fiscal Update			
IR2025/372	2025 October Baseline Update submission for Vote Revenue	16/10/2025	s 6(c) s 9(2)(a) s (2)(g)(i)
IR2025/408	Vote Revenue: 2025 Half Year Economic and Fiscal Update for non-departmental expenditure appropriations	21/11/2025	s 6(c) s 9(2)(a) s 9(2)(f)(iv) s 9 (2)(g)(i)
IR2025/457	Approach to Budget 2026 and the 2026 Performance Plan	27/11/2025	s 6(c) s 9(2)(a) s 9(2)(f)(iv)
IR2025/458	Budget 2026 initiative submission for the Revenue portfolio	10/12/2025	s 9(2)(a) s 9(2)(f)(iv)
IR2026/007	2026 March Baseline Update submission for Vote Revenue	12/02/2026	s 9(2)(a)
IR2026/032	2026 Preliminary Budget Economic and Fiscal Update for the Research and Development Tax Incentive appropriation	16/02/2026	s 9(2)(a)
IR2025/504	Vote Revenue Ministerial Certification of Contingent Liabilities and Contingent Assets as at 31 December 2025	19/02/2026	s 9(2)(a)
IR2026/024	2026 Preliminary Budget Economic and Fiscal Update for non-departmental expenditure appropriations	19/02/2026	s 6(c) s 9(2)(a)
IR2026/027	Output performance measures and targets for the 2026–27 financial year	25/02/2026	s 9(2)(a)
IR2026/070	Vote Revenue: 2026 Budget Economic and Fiscal Update for the Research and Development Tax Incentive appropriation	16/04/2026	s 9(2)(a)

IR2026/077	Vote Revenue: 2026 Budget Economic and Fiscal Update for non-departmental expenditure appropriations	20/04/2026	s 9(2)(a) s 9(2)(f)(iv)
IR2026/139	Budget 2026 Estimates for Vote Revenue – Vote Minister sign-off	01/05/2026	s 9(2)(a) s 9(2)(g)(i)
IR2026/154	Vote Revenue: 2026 June Technical Adjustment Request	26/05/2026	s 9(2)(a)
Charities and not-for-profit changes (including donation tax credit change)			
IR2024/110	Charities and not-for-profits overview	20/03/2024	s 9(2)(a) s 9(2)(f)(iv)
IR2024/161	Volunteers and honoraria: advice and response to the Minister for the Community and Voluntary Sector	10/04/2024	s 9(2)(a) s 9(2)(g)(i)
IR2024/237	Tax policy options for the not-for-profit sector	17/07/2024	s 6(c) s 9(2)(a) s 9(2)(f)(iv)
IR2024/238	The income tax treatment of not-for-profit member transactions and options for simplification	17/07/2024	s 9(2)(a) s 9(2)(f)(iv)
IR2024/199, T2024/2396	Charity business income tax exemption	30/08/2024	s 9(2)(a) s 9(2)(f)(iv) s 9(2)(g)(i)
BN2024/387, CVS20244176	Overview of 'charitable purpose' under the Charities Act 2005	20/09/2024	s 9(2)(a)
IR2024/359	Donation tax concession caps	20/09/2024	s 9(2)(a)
IR2024/360	Donor-controlled charities	20/09/2024	s 6(c) s 9(2)(a) s 9(2)(f)(iv)
BN2024/504	Charities and not-for-profits consultation: Scope and timing changes	11/12/2024	s 6(c) s 9(2)(a) s 9(2)(f)(iv)
IR2024/482, T2024/3292	Reducing expenditure on donation tax concessions	11/12/2024	s 6(c) s 9(2)(a)
BN2025/032	Summary of the "charity business income tax exemption" issue	31/01/2025	s 9(2)(a)
BN2025/042	Taxation and the not-for-profit sector: Updated officials' issues paper and timeline	07/02/2025	s 9(2)(a) s (9)(2)(f)(iv)
BN2025/047	Revenue impact of charity business income and other not-for-profit income tax exemption proposals	10/02/2025	s 9(2)(a) s 9(2)(f)(iv)
BN2025/044	Reducing expenditure on donation tax credits - follow up advice	11/02/2025	s 9(2)(a)
IR2025/079, T2025/635	Reducing expenditure on donation tax credit – further advice on options	13/03/2025	s 6(c) s 9(2)(a)
BN2025/135	Taxation of not-for-profits: Possible in-principle decisions	21/03/2025	s 9(2)(a)
BN2025/149	Reducing expenditure on donation tax credits – impact if school activity donations are treated differently	28/03/2025	s 9(2)(a)

BN2025/155	Reducing expenditure on donation tax credits – delivery of an option to retain current donation tax credit entitlements for school donations	31/03/2025	s 9(2)(g)(i)
IR2025/146	Taxation and the not-for-profit sector – submission summary and next steps	04/04/2025	s 6(c) s 9(2)(a) s 9(2)(f)(iv)
IR2025/169	Charities and NFPs tax issues announcements	17/04/2025	s 6(c) s 9(2)(a) s 9(2)(f)(iv) s 9(2)(g)(i) s 9(2)(h)
BN2025/213	Not-for-profits: Inland Revenue advice to submitters and stakeholders	06/05/2025	s 6(c) s 9(2)(a)
IR2025/257	Taxation and the not-for-profit sector: Recommendations from officials	28/08/2025	s 6(c) s 9(2)(a) s 9(2)(f)(iv) s 9(2)(g)(i) s 9(2)(h)
IR2025/258	Taxation and the not-for-profit sector: Supplementary Report	28/08/2025	s 6(a) s 6(c) s 9(2)(a) s 9(2)(f)(iv) s 9(2)(g)(i) s 9(2)(h)
BN2025/385	Taxation and the not-for-profit sector: Draft media statement, Q&A and proactive release	16/10/2025	s 9(2)(a) s 9(2)(f)(iv) s 9(2)(g)(i)
BN2025/411	Taxation and the not-for-profit sector: Timelines and consultation	16/10/2025	s 6(c) s 9(2)(a) s 9(2)(g)(i)
BN2025/443	Not-for-profits: Inland Revenue advice to the sector during targeted consultation	30/10/2025	s 9(2)(a) s 9(2)(f)(iv)
BN2026/060	Taxation and the not-for-profit sector: Virtual meetings with submitters	25/02/2026	s 9(2)(a)
IR2026/083	Taxation and the not-for-profit sector: Interim update and possible lines of communication	13/03/2026	s 6(a) s 6(c) s 9(2)(a) s 9(2)(g)(i)
BN2026/119	Taxation and not-for-profit sector draft Regulatory Impact Statements	09/04/2026	s 9(2)(a) s 9(2)(f)(iv) s 9(2)(g)(i)

Non-resident contractors' tax exemption for aircraft asset leasing			
IR2025/364	Non-resident contractors' tax: asset leasing	24/09/2025	s 6(c) s 9(2)(a) s 9(2)(b)(ii)
IR2026/001	Non-resident contractors' tax: Budget 2026 policy options for aircraft asset leasing	28/01/2026	s 9(2)(a)
Company loans to shareholders			
IR2024/383, T2024/2730	Integrity measures (making imputation work)	09/10/2024	s 9(2)(a)
IR2024/423, T2024/3336	Advice on integrity measures	11/12/2024	s 9(2)(a)
IR2025/165	Loans to shareholders – case studies and data from company liquidations	14/05/2025	s 9(2)(a)
BN2025/378	Timeframes and smoothing options for company loans to shareholders	09/09/2025	s 9(2)(a)
BN2025/406	Taxation of loans made by companies to shareholders - revised Cabinet paper and issues paper	06/10/2025	s 9(2)(a)
BN2025/425	Shareholder loans - information for joint Ministers' meeting on 23 October	21/10/2025	s 6(c) s 9(2)(a)
IR2025/440	Shareholder loans design features	06/11/2025	s 9(2)(a)
CBC-25-SUB-0064	Consulting on the taxation of loans made by companies to shareholders – Release of consultation paper	24/11/2025	NA
CBC-25-MIN-0064	Taxation of Loans Made by Companies to Shareholders: Release of Consultation Paper	24/11/2025	NA
CAB-25-MIN-0428	Report of the Cabinet Business Committee: Period Ended 28 November 2025	28/11/2025	Partially not in scope
BN2026/055	Shareholder loans – consultation feedback and next steps	19/02/2026	s 9(2)(a)
Working for Families: Family scheme income and residence requirements			
IR2025/379, T2025/2673, REP/25/10/818	Working for Families: Changes to residency requirements, information sharing and definition of income	29/10/2025	s 9(2)(a) s 9(2)(f)(iv)
BN2026/121	BUDGET SENSITIVE: Fiscal implications in Working for Families report IR2026/090	09/04/2026	s 9(2)(a)
IR2026/090	Working for Families: Design decisions to simplifying the definition of family scheme income and residence requirements	09/04/2026	s 9(2)(a)
BN2026/128	BUDGET SENSITIVE: Policy Decisions in Working for Families report IR2026/090	15/04/2026	s 9(2)(a)
BN2026/148	Budget Bill - Family scheme income legislative flexibility	08/05/2026	s 9(2)(a)

Foreign Investment Fund changes			
IR2025/161	Timeframes for further FIF changes and migrant related reforms – Phase One and Two	08/04/2025	s 9(2)(a) s 9(2)(f)(iv)
IR2025/345	Reducing tax barriers to retaining and attracting highly skilled people: phase two	21/08/2025	s 9(2)(a) s 9(2)(f)(iv)
IR2025/405	Reducing tax barriers to retaining and attracting people with skills and capital: policy decisions	19/11/2025	s 9(2)(a) s 9(2)(f)(iv)
BN2026/067	Going for Growth Ministers’ meeting 11 March	26/02/2026	s 9(2)(a) s 9(2)(g)(i)
Changes to financial arrangements rules to support migrants			
IR2025/431	Financial arrangements rules – options to support new migrants	11/11/2025	s 9(2)(a)
IR2026/053	Financial arrangements rules – decisions on migrant-specific proposals following consultation	31/03/2026	s 9(2)(a) s 9(2)(g)(i)
Non-resident contractors’ tax modernisation			
IR2026/026	Targeted consultation outcomes on proposals to modernise and simplify non-resident contractors’ tax	09/03/2026	s 9(2)(a)
BN2026/122	Information on non-resident contractors’ tax for the joint Ministers meeting on 20 April	15/04/2026	s 9(2)(a)
Research and Development Tax Incentive changes			
IR2025/376, REQ-0019154	Options for enhancing the Research and Development Tax Incentive	06/11/2025	s 9(2)(a) s 9(2)(f)(iv)
BN2025/452	RDTI: Information further to 6 November 2025 report	20/11/2025	s 9(2)(a)
BN2025/482	RDTI Ministers’ Meeting	01/12/2025	s 9(2)(a) s 9(2)(f)(iv)
IR2025/491, REQ-0024980	RDTI – Options to progress	10/12/2025	s 9(2)(a) s 9(2)(f)(iv)
IR2026/040, REQ-0027276	RDTI options for Budget 2026	18/02/2026	s 9(2)(a) s 9(2)(f)(iv)
BN2026/073	RDTI and internal software	05/03/2026	s 9(2)(a)
Fringe benefit tax changes			
IR2025/220	Fringe benefit tax review update	27/05/2025	s 9(2)(a) s 9(2)(f)(iv)
s9(2)(g)(i)			
IR2026/069	Fringe benefit tax review – options to progress	05/03/2026	s 9(2)(a) s 9(2)(f)(iv)
Changes to thin capitalisation rules for foreign-owned banking groups			
IR2025/100	Determining Funding Costs of Permanent Establishments of Foreign Banks	09/04/2025	s 6(a) s 6(c) s 9(2)(a)

IR2025/331	Determining Funding Costs of Branches of Foreign Banks	31/07/2025	s 6(c) s 6(a) s 9(2)(a)
BN2025/347	Communications Plan for Consultation on Determining Funding Costs of Permanent Establishments of Foreign Banks	03/09/2025	s 6(a) s 6(c) s 9(2)(a) s 9(2)(g)(i)
IR2025/464	Determining Funding Costs of Branches of Foreign Banks	27/11/2025	s 6(a) s 6(c) s 9(2)(a) s 9(2)(f)(iv)
IR2025/493	Approval to consult on changes to taxation rules for foreign-owned New Zealand banking groups	12/12/2025	s 9(2)(a)
IR2026/066	Changes to tax rules for foreign-owned New Zealand banking groups	13/03/2026	s 6(a) s 6(c) s 9(2)(a) s 9(2)(b)(ii) s 9(2)(f)(iv)
Considered but discontinued projects			
Investment Boost			
IR2025/348, HUD2025-007930	Extending Investment Boost to certain residential buildings	11/09/2025	s 9(2)(a)
IR2025/468, HUD2025-008735	Extending Investment Boost to build-to-rent developments	10/12/2025	s 9(2)(a)
s9(2)(f)(iv)			
s9(2)(f)(iv)			
Software subsidy for small businesses			
IR2025/475	Software subsidy for small businesses	10/12/2025	s 6(c) s 9(2)(a)

Tax policy report



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) [REDACTED]	✓
Elly Ward	Principal Policy Advisor	9(2)(a) [REDACTED]	☐

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 billion² 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)
- 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

Minister of Finance

Discuss - yes / no

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