

Annual Forms for 2025 due 28 February

All 2025 annual tax forms, including those for Salary and Wages Tax, Goods and Services Tax, and other withholding taxes are required to be lodged no later than 28 February 2026. Please ensure all relevant documentation is completed and submitted by this date.

Salary packaging policies to be submitted to the IRC

Under the Income Tax Act 2025 (ITA2025) and draft Regulations, all employers must develop and submit a formal salary packaging policy to the IRC for approval. We recommend policies are reviewed and updated for the current requirements and submitted to the IRC to ensure compliance.

The draft Regulations limit salary packaging to leave fares, school fees, and housing (including housing allowance variation and rent). The total value of packaged benefits cannot exceed 40% of an employee's gross salary. Housing allowances are fully taxable unless the IRC approves them as a Housing Allowance Variation (HAV). For HAV, citizens can package mortgage or rent, while non-citizens can only package rent, and the landlord cannot be related to the employee. This must be packaged against the housing allowance. Citizens without a housing allowance may also package rent, within the 40% cap.

Phasing out of FCWT

The Foreign Contractors Withholding Tax (FCWT) regime has been removed from ITA2025. Transitional rules means that long term (being over 12 months) construction and engineering contracts, as well as finance leases that were entered into prior to 1 January 2026 will continue to be taxed under the previous rules in the Income Tax Act 1959.

In addition, the Income Tax Act 2025 Regulations (Draft 11) introduce a further transitional measure. Foreign contractors, who entered a prescribed contract before the commencement of the ITA2025 (being 1 Jan 2026) may elect to continue to be taxed under the FCWT regime for the period from 1 January 2026 to 31 December 2026. Where this option is chosen, a formal election must be lodged by the foreign contractor with the IRC in an approved form, prior to 31 March 2026. The election is also irrevocable. We note this is based on draft Regulations, and the approved form has not yet been shared.

We also note that Foreign Contractors who have an IRC approved tax year end different to 31 December, will lodge their first annual corporate income tax return for the first year starting after 1 January 2026. This may lead to a delayed introduction into the Income Tax Act 2025 for corporate tax. The SAP status should be confirmed / reconfirmed with the IRC and application of FCWT to the intervening period (from 1 January 2026 to tax year start date) understood and agreed with customers.

Provisional tax for foreign contractors

In relation to an income taxpayer for a tax year, each tax year comprises three instalment periods, each being the three months ending on the last day of the third, sixth, and ninth months of that tax year, with the provisional tax due by the last day of the following month for each period. If the taxpayer has reported a net loss on the most recently submitted income tax return or has become an income taxpayer during the current tax year, each instalment for that year is calculated as 2% of the taxpayer's total assessable income for the relevant instalment period, excluding assessable income already subject to withholding tax.



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