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# Tax Alert

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## Fringe Benefit Tax – Options for change
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# Fringe Benefit Tax – Options for change

By Robyn Walker

Fringe Benefit Tax (FBT) was introduced on 1 April 1985, and its therefore fitting that its 40th birthday is marked by the release of an FBT policy review. The policy review contains options for change to freshen up the regime to ensure it remains fit for purpose after all these years.

The policy review has been well signalled by the Minister of Revenue, Hon Simon Watts, who had heard countless concerns about the high level of compliance costs associated with the tax. It is compliance costs which are the driver of the proposals, revenue raising takes a back seat as the reforms are intended to be cost neutral overall.

The intention is to create rules which adopt a 'close enough is good enough' approach and in turn are better accepted as being a reasonable approximation of the 'remuneration value' of a benefit, which in turn results in a higher level of compliance. FBT has been notorious for not being complied with, so it's expected that whatever changes emerge from the review, they will be better enforced by Inland Revenue. These issues were all raised in a stewardship review of FBT.

The review isn't proposing wholesale changes to FBT, instead it is targeting some key areas which have been identified as problematic. We think it should be fair to assume that everything else not mentioned (including exemptions, rates and calculation methods are off the reform table for now).

The key focus areas are motor vehicles and unclassified benefits. As a surprise entry, the entertainment regime, which currently sits within the income tax return is proposed to move into FBT, consistent with the approach in other countries. The proposals also suggest some discrete changes to aspects of the regime, positively that includes breaking down the confusing distinction between when PAYE and FBT applies and allowing taxpayers to put more benefits in the FBT return. FBT returns will also be modified to collect some additional data points.

## The Proposals

### Motor Vehicles

There have been at least a couple of long held concerns with how FBT applies to motor vehicles, including:

- Vehicles are taxed on 'availability' rather than use, so a vehicle which is available to an employee for full private use as part of their package is taxed in the same way as a vehicle with high restrictions (such as only home to work travel).
- To reduce FBT costs it is necessary to keep logbooks to claim exempt days, which in turn causes countless headaches for the employees responsible for getting employees to complete and return logbooks. Likewise, the FBT rules subtract exempt days from the total number of days in a quarter (which varies), resulting in regular errors and in some cases no benefit being received from exempt days.
- The Work Related Vehicle (WRV) rules were being misunderstood, with an assumption a double-cab ute was just exempt from FBT. The restriction that a 'car' could not be a WRV also meant that more fuel-efficient vehicles were effectively shut out from the exemption. Likewise, the WRV definition has a mandatory requirement for sign-writing the vehicle, which some employers in sensitive professions could not comply with.

Positively, the policy review seeks to address these concerns, by suggesting some options for change, some more significant than others:

- FBT currently differentiates vehicles based on weight (the motor vehicle rules apply to vehicles with a weight less than 3,500kg, and the unclassified benefit rules apply to heavier vehicles), it is proposed to either increase or remove the weight limit.
- To fully exempt emergency vehicles owned by certain organisations from FBT (e.g. police cars, ambulances and fire engines).
- Removing the WRV definition, as part of a change in approach for classifying all vehicles.
- Simplifying the rules by removing the ability to calculate taxable value based on the tax book value of the vehicle if this option is not used by taxpayers.
- Introducing differentiated taxable value formulas for vehicle types to reflect the different running costs. The current 20% per annum cost base would be replaced by separate rates for petrol/diesel fuelled vehicles, hybrid vehicles, and electric vehicles, with the rates being 26%, 22.4% and 19.4% respectively (these rates follow a review of vehicle costs using AA and MBIE data).
- Taking a 'remuneration approach' to classifying vehicles.

### The remuneration approach

It's proposed to move the current approach to vehicles to one where the intended remuneration value of the vehicle is a determining factor in how FBT applies. For example, a vehicle which is built into an employee's package as a 'perk car' remains subject to full FBT, whereas a vehicle which is essentially just a 'tool of trade' with no private use would not be subject to FBT. There would be a category in the middle where some private use is available, but it falls short of being a 'perk car', those vehicles would be subject to FBT at a rate of 35% of the taxable value (i.e. the taxable value is discounted by 65%, and is equivalent to 4.5 days business use and 2.5 days private use). Under the 'close enough is good enough' approach, true incidental use of a vehicle would be disregarded.

Below are the proposed descriptions of the 3 vehicle categories:

| Category | Limitations on use | Rate (percentage of taxable value) |
|---|---|---|
| **1** | Vehicles predominantly available for employee's unrestricted private use (i.e., perk vehicles). The provision of the vehicle is generally reflected in the employee's remuneration package. | **100%** |
| **2** | Vehicles predominantly for business use, with restricted private use (i.e., tool of trade). The employee may use the vehicle for travel to and from work (work generally being the same workplace), but not at other times. Generally, the vehicle will be allocated to a single employee (although other employees may use the vehicle during business hours). | **35%** |
| **3** | Vehicles solely for business use with no personal usage other than for commuting to and from work (multiple workplaces/worksites) with no personal usage (other than incidental use). | **0%** |

The difference between category 2 and 3 vehicles is in essence the workplace of an employee. Vehicles which are routinely taken to variable work sites (for example, tradespeople, sales staff, project workers, community workers) would fall into category 3, but a vehicle which is routinely taken to the same worksite (for example, office workers) would fall into category 2.

The inherent logic is to take into account that there is some benefit to an employee in not having to fund the cost of home to work travel. Home to work travel is considered a private cost; however, employees who are routinely going to different locations are more likely to be considered 'on work' from the time they leave home for the first job of the day and would have more difficulty in organising alternative transportation if a work vehicle was not provided.

The policy paper provides further guidance on how to place vehicles into the three categories, with the following being a summary of the hallmarks of each category:

| | **Category 1** | **Category 2** | **Category 3** |
|---|---|---|---|
| No restrictions on private use / part of employment contract | ✓ | | |
| No private use evenings, weekends, holidays | | ✓ | ✓ |
| Home to work travel permitted | | ✓ | ✓ |
| Generally driven to the same workplace | | ✓ | |
| Generally driven to different workplaces | | | ✓ |
| Used as part of delivering employers services | | ✓ | ✓ |
| Generally taken home by the same employee | | ✓ | |
| Employer branding | | Maybe | ✓ |
| May be available for other employees to use | | ✓ | ✓ |

The categories, and in particular the category 2 rate, are designed to take into account potential concessions under the existing rules, and therefore it is proposed to remove all current 'exempt days' (i.e. business trips away, emergency calls), with the consequence being the removal of the need to keep logbooks for FBT purposes (employers may want to retain these for other purposes). A vehicle would be put into one of the categories based on best estimates of how the vehicle is intended to be used. It is expected that a vehicle will be able to change categories if there is a substantial change to how it is being used (for example a perk car being reassigned to being a pool vehicle due to staff changes).

A question which arises is how to treat vehicles where the employer and employee have currently agreed to restrictions Monday to Friday, with private use permitted at weekends (which would generally only apply to WRVs at present as home to work travel is taxed for all other vehicles). Our expectation is these are likely to fall within category 1. If the proposals are legislated, employers ought to take a fresh look at vehicle fleets and how they are used to ensure the FBT outcomes are suitable and look to amend fleet policies if needed.

It is proposed that because major shareholder-employees (25%+ shareholding) may have more control over vehicle selection, that there be an additional restriction over the use of Category 2 and 3 to avoid "luxury" vehicles falling into these categories (just for those shareholder-employees). As such, a maximum cost base of $80,000 is proposed.

It is proposed that category 2 and 3 cars ought to have an employer's signwriting on it (much like the current WRV definition), this is partly to assist with enforcement of the rules as it allows the identification of vehicles which may be being used in a manner that suggests it ought to be a category 1 vehicle (e.g. if it is regularly seen down at the boat ramp). The proposals acknowledge that sign writing is not appropriate in all circumstances so it will be possible to apply for an exemption, which is not something the current rules allow.

### Unclassified Benefits

When FBT was first introduced, there were a plethora of non-cash benefits being provided to employees as a substitution for cash and therefore it was necessary to have a catch-all category of benefits. Fast-forward 40 years and wide-spread benefits are less of a feature of employment agreements. Instead, unclassified benefits are more likely to be ad-hoc, small value items which have no real remuneration value – for example flowers on a bereavement, a gift on the birth of a child or a wedding, Christmas gifts etc. These items can be difficult and time consuming to identify and attribute to individual employees.

A de minimis rule currently exists to remove some small benefits from the FBT net, but this caps out at $300 per employee per quarter and $22,500 of annual benefits meaning larger employers often can't use it, and it still requires identification and tracking of benefits to prove that it applies.

The policy review puts forward two options to try to refocus FBT back to true remunerative benefits:

- A remuneration test with a cap per benefit (remuneration test)
- A list of non-remunerative benefits (list approach)

The remuneration test draws on a similar test in Australia and would exempt benefits with an individual cost of less than $200 provided they were not provided in substitution for remuneration. This would look at whether something is provided frequently or regularly and whether it is something that an employee can expect as part of their employment agreement. Under this approach, things like flowers, low value Christmas gifts, occasional recognition for performance, casual sports club fees and employer branded merchandise would likely be exempted, whereas gifts costing over $200, gym memberships, and non-work related travel benefits would remain subject to FBT.

The intended outcome from this test is that ad hoc small benefits can be ignored, providing a material saving in compliance costs.

Under the list approach, there wouldn't be a need to apply judgement like with the remuneration test, instead a defined list of benefits would be specifically exempted, with everything else being subject to FBT (with the existing de minimis rule remaining in place). Exempted items could include:

- Flowers for one-off events
- One-off prizes with a cost less than $200 (e.g. an employee of the month style award)
- Token gifts (e.g. a box of chocolates or a branded drink bottle)

In addition to the above options, the policy paper notes that a different approach could apply to 'points accrual reward schemes'. These are generally purpose built to allow employers to reward employees with points which are accumulated and exchanged for benefits. Because they are inherently part of a remuneration package its proposed these schemes would remain subject to FBT. The scheme is likely to track and report on benefit values per employee, meaning that there is less of a compliance cost reason to exclude these benefits from tax. It's proposed that the fringe benefit will arise at the time the points accrue to the employee rather than when the points are spent by the employee.

Finally, perhaps in an attempt to check who's paying attention, without referring to carparks directly, the policy review poses the question of whether the 'on-premises exemption' is still required if the other suggested changes are required. Ultimately the paper summary proposes that the exemption be retained.

### Entertainment

If taxpayers were to rank least favourite tax rules, entertainment rules would be right up there with FBT. It's for this reason that these rules have been incorporated within the scope of the policy review.

The current entertainment rules are a regular source of confusion and frustration, with many taxpayers conservatively treating anything that could be entertainment as subject to the 50% deduction limitation, rather than seeking to analyse every coffee or meal consumed by employees.

It is instead proposed to subsume entertainment into the FBT regime (this approach is taken in other countries like Australia and the UK), with a new 'entertainment' category created. This would be taxed at a flat rate of 49.25% (like a pooled benefit) and would apply to entertainment provided to both employees and non-employees. 'Entertainment' would be redefined from the current eclectic list to one of two options:

- Using a de minimis rule (the existing rule or the remuneration test, above), to exclude any non-remunerative entertainment with a per person cost of less than $200.
- Excluding food and drink from the current types of entertainment, except for food and drink provided at parties, social functions or celebrations (i.e. excluding things like coffees and working lunches from the rules).

### Other Proposals

The policy review makes a number of other suggestions:

- Amending the subsidised transport rules (not to be confused with the public transport exemption).
- Allowing employers to treat 'open loop' cards as subject to FBT rather than PAYE (this is in response to a recent Inland Revenue interpretation about trade rebates and gift cards).
- Providing employers with a rule on how to treat global insurance schemes – Officials are seeking preferences between dividing the total cost by the number of employees versus deeming the policy to be pooled benefit.
- To put an end to the confusion about whether PAYE or FBT applies to a particular benefit, providing a rule to allow benefits to be treated as fringe benefits (for example reimbursing employees for the cost of a benefit, which currently is technically subject to PAYE). This approach would not apply to accommodation or motor vehicles.
- Requiring employers to provide more details about benefits provided with FBT returns (this is a restoration of the approach before 2000 where total benefits provided by category were part of the return).
- Allowing FBT returns to be filed electronically through FBT software.
- Allowing the option for FBT in quarters 1-3 to be paid on the basis of 25% of the prior year FBT liability, with a square up completed in quarter 4. This would be optional as some employers would prefer to spread the compliance burden more evenly across the year.
- Requiring businesses claiming income tax deductions for motor vehicle expenses to have to declare in the income tax return whether they have complied with FBT obligations (if any) in relation to vehicles owned by the business.

### Conclusion

It's not often that we see tax officials releasing such pragmatic policy proposals, so they should be commended for this. The adoption of a 'close enough is good enough' approach is a refreshing change from the micro precision that we normally see in tax rules.

There is a lot to digest in the paper, and the potential that while the Government doesn't anticipate collecting any more FBT revenue overall, some employers may find themselves needing to pay more FBT than under the status quo, while some may be paying less. Those employers who haven't been correctly complying with FBT rules will invariably find that their FBT liability is likely to be higher.

Other positive aspects of the proposals include the neutralising of any perceived tax preference for double-cab utes. The fact that electric vehicles can now potentially also benefit from a 0% FBT rate, or a lower taxable value calculation if they are subject to FBT is a positive move for more sustainable vehicle fleets.

The policy review is only touching discrete parts of the FBT rules, so it should be safe to assume that other tax exemptions, such as the new exemptions for public transport and bikes, and the long-standing other exemptions, such as in relation to health and safety, business tools, distinctive work clothing etc will remain untouched – however it wouldn't hurt to put in submissions on aspects of FBT that are working well (or not).

The policy review only provides a fairly short period for consultation in order to try to incorporate any changes into legislation to be tabled in Parliament later this year. Submissions close on Monday 5 May.

Ultimately the proposals are about reducing compliance costs, so feedback on whether these proposals should achieve that aim will be important. It is when employers start considering the practical details of how the new rules might apply to their fact patterns that issues may emerge.

For more information on any of the proposals or to discuss how they may impact your business please reach out to your usual Deloitte contact.

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# A step in the right direction? The revenue account FIF method is coming—what we know so far

By Joe Sothcott and Sam Mathews

In the first big tax policy announcement of the year, the Minister of Revenue Hon Simon Watts has announced the proposed introduction of a new calculation method to the Foreign Investment Fund (FIF) regime - the revenue account method – proposed to apply from 1 April 2025.

This proposed change is the result of policy consultation undertaken over the new year looking at how the FIF regime could be discouraging migrants coming to (and staying in) New Zealand. We discussed this consultation in our February 2025 edition of Tax Alert.

Whilst nothing is confirmed yet, a couple of days after the Minister's announcement Inland Revenue published the first details of the proposed new method in a brief fact sheet.

### Background – what's all the fuss about?

To understand why these changes are being made, it's worth tracing back to the root of the issue. So what are the FIF rules?

New Zealand tax residents can be subject to the FIF rules if they have an interest (e.g. shares) in a foreign company, the interest is not enough to 'control' the company (in which case the Controlled Foreign Company rules apply) and no exemptions apply. The two most common exemptions being where the total cost of the shares is NZD50,000 or less, or where the foreign company is listed on the ASX (Australian Stock Exchange).

The FIF rules aim to ensure there is no tax advantage when investing offshore compared to investing in New Zealand. The rules make sense in the context of the New Zealand tax system as generally, capital gains are not taxed. However, taxpayers subject to the FIF regime—when using existing methods like the fair dividend rate (FDR) or cost methods—calculate tax on deemed income. This means there can be tax to pay even if no actual income (i.e. dividends received or shares sold) has been received. The FIF rules are internationally unusual in (largely) taxing deemed income, rather than taxing on a realisation basis.

Deemed taxable income under the FDR and cost methods is calculated as 5% of either the market value at the beginning of the year (FDR) or the cost of acquiring the shares (cost, with the cost base uplifted by 5% every year). Three problems had been identified with this approach:

1. For illiquid shares (such as unlisted shares), it is difficult to sell the shares to pay tax on the deemed income so there is often a cashflow issue.
2. Because tax is imposed on deemed income, the tax paid on FIF income in New Zealand may not be able to be used as a foreign tax credit to offset foreign taxes due on the actual sale of the investment (typically capital gain taxes) in the overseas jurisdiction, resulting in double taxation.
3. Where a FIF method requires valuation (e.g. on entry into the FIF rules), this can be difficult (even impossible sometimes) and expensive, especially for unlisted shares.

Given migrants are more likely to have shares in foreign companies, they are likely to feel the full impact of these issues.

### The revenue account method

The revenue account method won't be made available to all taxpayers. Inland Revenue have stated that only those who became a full (not transitional) New Zealand tax resident on or after 1 April 2024 will be able to use this new method (subject to other eligibility requirements). In other words, anyone whose transitional residency period ended on or after 1 April 2024 are eligible (i.e. anyone who became a transitional resident on or after 1 April 2020).

### Why 1 April 2024?

This date has not been plucked out of thin air. The revenue account method is being implemented as a result of influx of migrants who moved to New Zealand during the COVID-19 pandemic and who have had or will have their transitional residency expire soon.

This is also the case for many returning expats. Inland Revenue has indicated that returning expats will be also able to use to revenue account method, but only if they have not been a New Zealand tax resident for a minimum number of years. Whilst the Government has not yet advised the exact minimum number of years, the Inland Revenue has suggested it is likely to be less than the current 10 year transitional residency requirement.

The use of the revenue account method for migrants will not be mandatory, so existing methods of calculating FIF income will still be able to be used, if preferred. It will also be available to the trustees of a trust if the principal settlor of the trust would be able to use the method (in relation to the particular FIF interest).

### What type of investments can the revenue account method be used for?

In most cases the revenue account method will only be able to be used for unlisted entities. Unlisted entities whose main investments are listed entities are also excluded. The investments in unlisted entities must have been acquired before the investor became a New Zealand tax resident or "pursuant to arrangements made before the investor became a New Zealand tax resident".

There is a significant carveout to this for anyone who is subject to tax on a citizenship basis after they become New Zealand tax resident. The revenue account method will be able to be applied to all their FIF investments. This is primarily targeted at US citizens due to the US approach of taxing based on citizenship rather than tax residence.

### How does the revenue account method work?

The revenue account method itself is quite simple, when compared to other FIF methods. If opted for, tax is paid on two types of income:

- Any dividends received — tax will be paid on 100% of the dividend amount.
- Any realised capital gains — tax will be paid on 70% of the gain (the sale proceeds less the cost of the shares). Detail on how the cost of the shares is calculated is not yet confirmed (noting the valuation issue mentioned above).

Both income types will be taxed at the taxpayers marginal tax rate.

Where the investment is sold for a loss, 70% of the loss can be deducted against other income calculated under the revenue account method—either in the same or future tax year.

### Departing from New Zealand may trigger an exit tax

Where a person is using the revenue account method but then ceases to be a New Zealand tax resident, an "exit tax" may apply. The exit tax would treat the former New Zealand tax resident as if they had sold all their shares for their market value immediately before they lost their New Zealand tax residence. Further details about the exit tax will be published by the Inland Revenue when they have been determined.

### A step in the right direction?

Yes, but with a big "but". Migrants and returning expats will welcome the addition of the revenue account method as an option as it will address some of the issues outlined above. What will be less welcome is the 70% inclusion rate for gains and the restricted application of the method, which could create additional complexity and compliance costs for some.

If a taxpayer is on the top marginal tax rate of 39%, taxing 70% of the gain results in an effective tax rate of 27.3%, which is higher than the rate that would likely apply in a number of comparable countries. For example, Australia generally taxes 50% of the gain, resulting in an effective rate of 22.5% (45% top marginal rate x 50%). The effective tax rates on these gains in the US and UK is also lower than 27.3%. The key objective of the proposals is to encourage migrants and expats to come to New Zealand and stay here, and we question whether setting an effective tax rate higher than other countries these people could choose to live in is consistent with that objective.

Restricting the revenue account method (in most cases) to unlisted shares acquired before the person becomes New Zealand tax resident will often require taxpayers to apply different FIF calculation methods to different FIF investments, which may be impractical and/or costly. Migrants and expats would need to effectively split their share portfolios between listed and unlisted shares, and shares acquired pre and post becoming New Zealand tax resident. This may be very difficult for some and again reduce the attractiveness of the rules to the target group.

### So what next?

There are still plenty of issues to iron out, which will all contribute to how effective the proposal is in achieving the government's policy objective. Inland Revenue have stated that further details will be published upon the arrival of the next Tax Omnibus Bill, due for introduction to Parliament in August 2025.

Positively, the Minister has indicated that the government is looking at further changes to the FIF regime and related international tax settings to encourage migration to New Zealand, and for New Zealand residents to stay and invest here. This could include adjusting the current NZD50,000 de minimis threshold (which has not been increased since 2000) and expanding access to the attributable FIF income method (a FIF method that applies an active income exemption to certain FIF interests).

As we explained in our February article, Deloitte believes there are other tax areas which could be improved for migrants and expats. These include:

- Financial arrangement rules (generally tax certain investments on an accrued unrealised NZD basis).
- The CFC rules.
- Mismatches in the way New Zealand treats an investment with foreign countries (e.g. entities that are flow-through for tax purposes in the US, such as limited liability companies and S Corporations, but are not flow-through for New Zealand tax purposes).

We eagerly await the publication of the next Tax Omnibus Bill and any announcements of further proposed tweaks to the FIF and international tax rules.

If you have any questions or would like to discuss how the international tax rules may apply to your overseas investments, please contact your usual Deloitte advisor.

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# Employment tax reminders for a new tax year

By Robyn Walker


## When it comes to employment taxes, 1 April is the first day of new year.

Payslips reset to zero, employer superannuation contribution tax (ESCT) rates are checked to make sure they make sense based on the prior year earnings, odometer readings are taken by those who do lots of business mileage reimbursements, and of course, it's the first day of a new Fringe Benefit Tax (FBT) year. In this article we'll cover some employment tax matters to have top of mind.

### FBT

The flipside being that a year has just ended and so begins the countdown to complete fourth quarter FBT returns by 31 May.

The level of dread that accompanies the fourth quarter FBT return depends on the FBT attribution approach being adopted (if any) and the level of pre-work that has already been completed in quarters 1-3. Before getting into calculations, its also crucial to understand what FBT applies to in the first instance. Some common mistakes we see include:

- Not using GST inclusive values. This is an easy mistake to make because financial information will normally be exclusive of GST. For FBT purposes everything needs to be grossed up to include GST.
- Getting the taxable value formula wrong for motor vehicles when claiming exempt days.
- Claiming exempt motor vehicle days which don't qualify for an exemption.
- Not understanding when a car park can benefit from the "on premises" exemption from FBT.
- Misunderstanding how the $22,500 de minimis rule works.
- Linked to the above, assuming something is subject to FBT and exempt under the above-mentioned de minimis rule, when the employer is actually dealing with an allowance or reimbursement which is taxable through the PAYE regime (without exemption).

### Attribution options

The simplest, but most expensive approach is to just pay FBT on everything at the flat rate of 63.93%; the most complicated but most accurate option is to determine what benefits were received by each employee and undertake a full attribution so all benefits are taxed at the FBT equivalent of the employees marginal tax rate. Between these are a couple of short-form options, which reduce the accuracy of the calculations but can strike a balance between making some tax savings without incurring excessive compliance costs.

We summarise the four options below

| OPTION | PRO'S | CON'S |
|---|---|---|
| **Pay at single rate** | It's simple. | It's expensive, the single rate is now 63.93% |
| **Short-form attribution** | Non-attributed benefits will be taxed at 49.25% (rather than 63.93%) | • Benefits need to be allocated between attributed or non-attributed<br>• All attributed benefits will be taxed at 63.93% (even for staff earning less than $160,000) |
| **Concessionary short-form rate:**<br>• **63.93% for employees earning over $160,000**<br>• **49.25% for employees earning $160,000 or less with benefits under $13,400** | • Non-attributed benefits taxed at 49.25%<br>• Attributed benefits also taxed at 49.25% if no one earns above $160,000 | • Benefits need to be allocated between attributed or non-attributed<br>• You will need to collect information about benefits provided to employees earning more than $160,000 *<br>* if the benefits provided to someone earning above $160,000 are insufficient for total remuneration to exceed $180,000 there is still an opportunity to pay FBT at 49.25% |
| **Full attribution** | • You will save FBT (attributed benefits are taxed at the marginal tax rate)<br>• Software can help you | • Benefits need to be allocated between attributed or non-attributed<br>• It's more complicated and relies on you having adequate information to attribute benefits to employees |

A complicating factor to the 2024/25 FBT calculation process is the change to tax thresholds which were announced in Budget 2024. The tweaking of tax thresholds part way through the year has changed the approach to FBT attribution calculations for the 2024/25 year, with those rates changing again in 2025/26. Unfortunately, the timing of when the thresholds changed meant that this is more complicated than necessary, with a new formula designed to ensure personal tax rates and FBT rates work in harmony.

The formula is:

**TAX ON ALL-INCLUSIVE PAY** – **FBT ON NET CASH PAY**

Where:

- all-inclusive pay is the sum of net cash pay and the value of taxable fringe benefits received by the employee
- net cash pay is the cash left in hand of the employee after tax, i.e.:

**CASH PAY** – **TAX ON CASH PAY**

This presents a critical risk, particularly for taxpayers who rely on spreadsheets and manual formulas rather than a software tool like TaxLab FBT.

| ESCT THRESHOLD AMOUNT | TAX RATE |
|---|---|
| $0 - $18,720 | 10.5% |
| $18,721 - $64,200 | 17.5% |
| $64,201 - $93,720 | 30% |
| $93,721 - $216,000 | 33% |
| $216,000 + | 39% |

## Employer Superannuation Contribution Tax (ESCT)

ESCT rates are designed to be revalidated each tax year. With the tax thresholds having changed, the ESCT bands have also changed, meaning that some employees may be able to qualify for a lower ESCT rate.

## Mileage

An unusually popular tax topic is tax-free mileage reimbursement rates. With the tax year having just started, now is a good time for any employees expecting to do significant work related mileage to take an odometer reading as the rate of reimbursement available varies based on the total kilometres travelled since 1 April. You can read more about the mileage reimbursement rules in our June 2024 Tax Alert article.

## What to know more?

Deloitte is holding our annual FBT and Employment Tax update webinar on 8 April 2025 at 11am.

To reserve your spot for this popular webinar:

REGISTER HERE

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# Is the debate over? GST and fund manager fees

By Allan Bullot and Amy Sexton

On the very last day of the 2024 income tax year (31 March 2025, the busiest day of the year for tax advisors and accountants alike) the Inland Revenue published an interpretation statement considering the GST treatment of fund manager fees.

This looks to end (at least for now...) the long running debate as to whether GST should be charged by fund managers of managed funds, but as always with tax, the devil is in the detail, and it will mean different things to different people. We discussed the draft guidance when it was a the consultation stage in our September 2024 Tax Alert article.

Those with long tax memories will remember Inland Revenue issued draft guidance back in 2017 (which then was never finalised).

Then as a bolt from the blue, in 2022 the Government unexpectedly announced a policy change to charge GST at 15% on all management fees charged to managed funds ( including KiwiSaver funds). Government modelling advised that it would raise $225 million a year in new GST tax revenue from 2026, and the Financial Markets Authority modelling suggested that it would wipe $103 billion from KiwiSaver funds by 2070. Understandably the public backlash was fast, loud and fierce, resulting in the unpopular policy change being dropped as quickly as it had been announced.  That still left the position in the real world as being somewhat uncertain, with different GST treatments having been adopted by different organisations.

### How have managed funds been dealing with GST?

Non-KiwiSaver funds have generally been taking one of two positions (that were not specifically legislated for) which had become accepted in practice by Inland Revenue for managed funds providers:

- Larger fund and investment managers typically treated 10% of their services as subject to 15% GST and the remaining 90% as GST-exempt under the existing financial services exemption. The exemption applied due to these managers "arranging" the buying and selling of investments.
- Other fund and investment managers applied the 15% GST rate to all of their services, the rationale being that they provide investment advice and services that are typically subject to 15% GST.

### What does the new Inland Revenue guidance say?

The new guidance is quite detailed (30 pages), gets a little complex, and in summary states:

#### Fees payable to the manager of a manged fund

- In Inland Revenue's view fees payable for services supplied to the fund are a supply of financial services, where the fund manager is contractually providing all the fund management services (directly or indirectly), the fund manager is providing a 100% financial service, so GST will never apply at 15%. This is different to the current positions where GST at 15% will either often be applying at 10% or 100% of the fund managers fee to the fund.

#### GST treatment of outsourced services that are provided to a fund manager by third parties.

- Investment management services provided by a third party are either a supply of financial services or a standard rated taxable supply of advice, depending on the terms of the terms of appointment and manner the appointment is exercised and supervised. Broadly the greater the degree of authority the third party has to invest (without having to seek any confirmation etc from the fund manager etc), the greater the odds that that investment management services will be considered to be a financial service. Likewise if the third party has no authority to actually make investments and is simply providing advice on what to invest in, the Inland Revenue consider that the third party is providing GST taxable advice services, which will not be a financial service.
- Separately sourced outsourced administration services provided by a third party under contract to the managed fund manager will be a GST taxable supply.

### How does this affect the current industry practice?

It really rests on what the fund managers have been doing to date, as depending on how fund managers are structured, the changes will affect each fund manager differently. Some will be moving from having GST applying to 10% of supplies (an effective rate of 1.5%) to not having GST applying at all. Others may be moving from having GST applying to 100% of supplies (an effective rate of 15%) to also not having GST applying at all.

The Commissioner of Inland Revenue also published an Operational Position on the same day as the interpretation statement. An Operational Position sets out the approach the Commissioner will be taking to applying a new position in practice. In this instance the Commissioner has stated that immediate implementation may be difficult for some managed funds, therefore the Commissioner is giving managed funds to 1 April 2026 to implement these changes. This does also allow for early adoption.

### Deloitte's view

For most people in their role as investors and savers, they are likely to not notice too much change immediately. For fund managers this will probably have been a subject that they have already been thinking about for some time, and they will need to use the next 12 months to ensure that they are in compliance with the finalised view from Inland Revenue. This may involve some complex system and contractual changes.

The interpretation statement is very similar, in some ways, to the Inland Revenue's draft position in 2017. There has been substantive time and effort spent on this by a lot of people since then. Maybe we would have been better to just accept that sometimes GST can be complicated and can't always be "pure" and we should have legislated for what was actually happening in practice back in 2022.

Deloitte is not aware of too many in the industry that thought the system was broken by allowing the two treatments that had arisen. Ensuring that New Zealanders have confidence in the stability of the wider systems (particular tax settings) around their retirement savings is going to be a critical part of the long term success of New Zealand, and we need to be very careful before we make any changes to these settings.

If you have any questions around GST, please contact your usual Deloitte advisor.

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# Importing goods? Will the Provisional Values Scheme help you?

By Jeanne du Buisson, Haidee Watkin and Sid Mahajan

Are you importing goods into New Zealand that are subject to post importation adjustments such as royalties, licence fees or transfer pricing arrangements?

New Zealand Customs (Customs) are continuing to focus efforts on compliance activities, so now more than ever it is important for importers to consider the valuation of goods that come across the New Zealand border.

The Provisional Values Scheme (PVS), allows importers that are unable to determine the import value of goods at the time of importation, or for importers who expect that the customs values of goods will change post-importation (i.e., transfer pricing adjustments or royalty arrangements), to use a "reasonable estimate" for the purposes of determining the customs value of an imported good.

Once enrolled into the PVS, an importer is required to perform a reconciliation of the import entries codes as provisional estimates to the final amounts. If the reconciliation determines an overpayment in duties, an importer is able to obtain a refund from Customs, and conversely, an importer will not be liable to pay any penalties or interest if the reconciliation determines an underpayment in duties and GST.

## Who qualifies under the Provisional Values Scheme?

An importer may automatically qualify to use provisional values if any of the following criteria apply:

### Transfer Pricing Criteria

- Private binding ruling (unilateral advance pricing agreement) on transfer price from Inland Revenue; or
- Bilateral advance pricing agreement (BAPA) from Inland Revenue; or
- Multilateral advance pricing agreement (MAPA) from Inland Revenue.

### Licence and Royalties Criteria

- An importer uses the transaction value method to determine the customs value of imported goods; and
- Needs to include royalties and license payments in the customs value; and
- The amount of those payments can only be established post-importation.

### Further Proceeds Criteria

- An importer uses the transaction value method to determine the customs value of imported goods, but at the time of entry the importer does not know the final amount of further proceeds of sale.

Importers that automatically qualify are still required to notify Customs of their intention to enrol into the PVS and use provisional values, prior to importing using the PVL indicator. An importer that does not meet one of the three criteria listed above can make an application to Customs to use provisional values at the time of import.

## What are the benefits to the PVS?

An importer that is enrolled in the PVS scheme can enter goods into New Zealand at a "provisional amount" which is a "reasonable estimate" of the final value of the goods imported and reconcile these provisional amounts to actuals within 12 months of balance date. This allows the importer time to calculate any required year-end adjustments without incurring any compensatory interest on underpayments of duties.

Without the ability to use provisional values, an importer that incurs costs post-importation may be required to submit a Voluntary Disclosure to Customs in the event of a significant variation between imports declared and the actual amounts incurred (factoring in any post importation costs).

## Wider Implications

Given the High Court of New Zealand's findings in the Country Road case (as discussed in the August 2024 Tax Alert), it is now more important than ever for importers to consider any costs they may be incurring post importation and whether these costs are reflected in the value of an imported goods.

As Customs' increased compliance activity in this area is continuing in 2025, now is as good a time as ever to get in touch with your Deloitte advisor to discuss if your organisation will benefit from enrolling in the Provisional Values Scheme.

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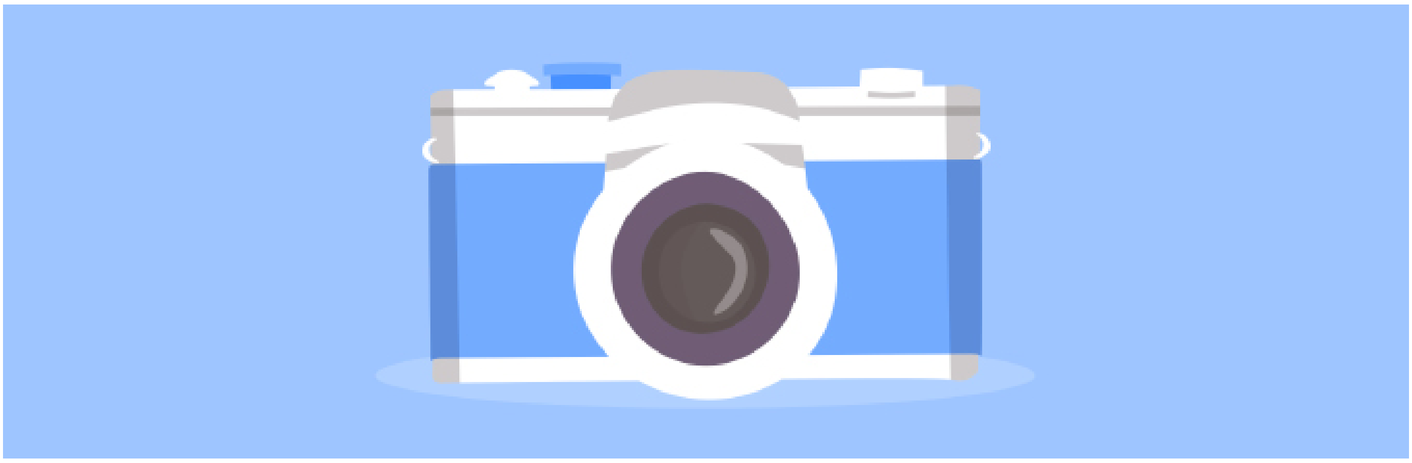
# Snapshot of recent developments



## Tax legislation and Policy Announcements

### Order made for applications for refund of FamilyBoost tax credit

On 26 February 2025, the Tax Administration (FamilyBoost Tax Credit — Extension of Dates to File Return of Income) Order 2025 (SL 2025/8) came into effect and applies to a person applying for a refund of a FamilyBoost tax credit for the quarters ending on 30 September 2024 and 31 December 2024 under section 41C of the Tax Administration Act 1994, and to their partner if applicable. If a person to whom the Order applies filed their last return of income after the date required by section MH 3(4) of the Income Tax Act 2007, and that date was before the Order came into force, the date is extended to 31 March 2025 for the purpose of the application for a refund.

### New Zealand's list of reportable jurisdictions updated

On 27 February 2025, the Tax Administration (Reportable Jurisdictions for Application of CRS Standard) Amendment Regulations 2025 (SL 2025/15) were notified in the New Zealand Gazette and came into force on 31 March 2025. The regulations amend the Tax Administration (Reportable Jurisdictions for Application of the CRS Standard) Regulations 2017 by adding Armenia, Jordan, Rwanda, Senegal, and Tunisia as reporting jurisdictions for reporting periods beginning on or after 1 April 2024.

On 24 March 2025, Inland Revenue published an update to AE 25/01 Participating jurisdictions for the CRS applied standard. Armenia, Jordan, Rwanda Senegal and Tunisia have been added as participating jurisdictions. The list of participating jurisdictions is important for financial institutions when conducting due diligence in respect of accounts held by passive non-financial entities.

### Annual Rates Bill Amendment Paper – Trust disclosure rules

On 5 March 2025, an Amendment Paper for the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill was introduced by the Minister of Revenue. The paper includes proposed changes to the trust disclosure rules (amending section 59BA(2) of the Tax Administration Act 1994.

### Information release: Taxation (Use of Money Interest Rates) Amendment Regulations 2024

On 6 March 2025, Inland Revenue published documents relating to the Taxation (Use of Money Interest Rates) Amendment Regulations 2024.

### Information release: Student loan scheme repayment threshold

On 12 March 2025, Inland Revenue proactively released documents relating to the Student loan scheme repayment threshold (the 'freeze' at $24,128 per annum remains).

### Rules of origin updated for ASEAN-Australia-New Zealand Free Trade Agreement

On 13 March 2025, the Customs and Excise (AANZFTA) Amendment Regulations 2025 were notified in the New Zealand Gazette. The Regulations come into force on 21 April 2025 and amend the Customs and Excise Regulations 1996 to update the rules of origin relating to the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA).

### Tax Administration (FamilyBoost Tax Credit—Extension of Dates to File Return of Income) Orders

On 17 March 2025, Inland Revenue published two Order in Councils allowing FamilyBoost applicants filing late tax returns to access the FamilyBoost quarterly payments. FamilyBoost can only be applied for after filing the tax return required for the quarter they are applying for.

### Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act

On 29 March 2025, the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill received Royal Assent and was passed into law.

# Inland Revenue Statements and Guidance

### Draft QWBAs: The bright-line test for selling residential land

On 24 February 2025, Inland Revenue announced that the Commissioner of Inland Revenue is seeking public feedback on changes to six existing QWBAs. The changes relate to the bright-line test for selling residential land. These updates will align the QWBAs with the current 2-year bright-line test. The deadline for comments is 11 April 2025.

### Inland Revenue: National standard costs for specified livestock determination

On 24 February 2025, Inland Revenue issued NSC 2025: The National Standard Costs for Specified Livestock Determination 2025. The determination is made in terms of section EC 23 of the Income Tax Act 2007. It shall apply to any specified livestock on hand at the end of the 2024-2025 income year where the taxpayer has elected to value that livestock under the national standard cost scheme for that income year.

### Inland Revenue: Reserve Schemes

On 25 February 2025, Inland Revenue announced that it would be updating its system design for the Reserve Scheme Accounts, Income Equalisation (EQU), and Environmental Restoration (ERA). There have been some updates to the look and feel when managing reserve schemes in myIR. Additionally Inland Revenue have created new letters on making deposits, withdrawing amounts, annual interest postings and approaching 5-year expiry dates for EQU deposits.

### Inland Revenue: Drought conditions in Taranaki region

On 27 February 2025, a medium-scale adverse event for the Taranaki region was declared because of hot, dry conditions and below average rainfall. To help affected farmers and growers Inland Revenue have made a 'class of case' determination for the Income Equalisation Scheme to allow late deposits for the 2024 year until 30 June 2025 and early withdrawals if the deposit was made before the Ministerial announcement on 27 February 2025.

### TIB: Volume 37, Number 2 (February 2025)

On 28 February 2025, Inland Revenue published TIB Vol 37, No 2 (March 2025), which covers:

**New legislation**

- SL 2024/254: Taxation (Use of Money Interest Rates) Amendment Regulations 2024

**Determinations**

- FDR 2025/01: Determination under section 91AAO of the Tax Administration Act 1994 that investors in JPM Aggregate Bond-NZD Hedged Dividend Class X Shares may not use the fair dividend rate method to calculate FIF income
- FDR 2025/02: Determination the fair dividend rate method may not be used to calculate FIF income by investors in the iShares Core Global Aggregate Bond UCITS ETF–NZD hedged (Accumulating) share class

**Interpretation statement**

- IS 25/03: Income tax – identifying the relevant item of property for depreciation purposes

**Case summary**

- CSUM 25/04: Commissioner of Inland Revenue v Kaur

**Technical decision summary**

- TDS 25/01: Sale of leasehold interests in residential and commercial units

### Draft QWBA: Does GST apply to a deposit the seller retains in a cancelled land sale agreement?

On 3 March 2025, Inland Revenue published a draft QWBA PUB00485. Inland Revenue states that GST does not apply to a deposit a seller retains in a cancelled land sale agreement. The deadline for comments is 17 April 2025.

### Inland Revenue: Changes for incorporated societies

On 5 March 2025, Inland Revenue published a reminder that if a incorporated society was registered before 5 October 2023, it must reregister by 5 April 2026 to keep incorporated society status. The Companies Office has information about this change and what is required. It also explains what happens if an incorporated society choose not to reregister or does not reregister by 5 April 2026.

### Inland Revenue: Improving myIR security campaign continues

On 5 March 2025, Inland Revenue announced they will continue to call people about updating and improving security in their myIR accounts. After receiving feedback from some customers that the calls feel like a scam, Inland Revenue will now send a secure message via myIR and only call after the message has been received.

### Inland Revenue: Drought conditions across parts of NZ

On 7 March 2025, the Minister of Agriculture and Minister for Rural Communities declared a medium-scale adverse event for the Northland, Waikato, Horizons (Manawatū-Whanganui) and Marlborough-Tasman regions as a result of ongoing hot, dry conditions and below average rainfall. This declaration is an extension of the previous classification for the Taranaki region announced on 27 February 2025.

### Interpretation Statement: What an employee share scheme is, the taxing date and apportionment

On 10 March 2025, Inland Revenue published IS 25/04:What an employee share scheme is, the taxing date and apportionment. This is the final Employee Share Scheme guidance document from the group of guidance documents consulted on in 2024. The Interpretation Statement covers what an employee share scheme is, arrangements that are excluded from being an employee share scheme, benefit and the share scheme taxing date, and apportionment.

### Inland Revenue: GST on listed services: proposed changes

On 10 March 2025, Inland Revenue announced that Parliament is considering changes to the GST on listed services rules. These rules apply to online marketplaces, listing intermediaries and sellers of ride-sharing and ride-hailing, food and beverage delivery, and short-stay and visitor accommodation.

Inland Revenue are proposing changes they expect to become law later this month (when more information will be made available). These changes relate to the deduction rule for flat-rate credits, timing for accounting for GST on accommodation, taxable supply information, opting out, and flat-rate credits and income tax.

### Inland Revenue: ACC earners' levies set

On 11 March 2025, Inland Revenue announced the ACC earners' levies have now been set for the 2025-26, 2026-27 and 2027-28 tax years. The rates can be found here.

### Inland Revenue: eInvoicing Webinar

On 11 March 2025 Inland Revenue held a live eInvoicing webinar with MBIE, a recording of this webinar is available on the Inland Revenue website until 17 April 2025.

### Inland Revenue: Reserve scheme

On 13 March 2025, Inland Revenue advised that as they update their system for Reserve Scheme Accounts, Income Equalisation (EQU), and Environmental Restoration (ERA), some information for EQU will be temporarily unavailable online. Inland Revenue have also acknowledged that a medium scale Adverse Event has been declared for Northland, Waikato, Taranaki, Horizons and Marlborough-Tasman regions that may impact EQU.

### Inland Revenue: Former tax agent sentenced on tax fraud

On 13 March 2025, Inland Revenue advised a former tax agent was sentenced to home detention for sustained tax fraud (12 months, on 19 fraud charges). The Judge also ordered full reparation be paid.

### Inland Revenue: Final repayment date nears for SBC loans

On 16 March 2025, Inland Revenue issued a press release reminding of the final repayment date for people who borrowed money through the Small Business Cashflow (SBC) loan. From June, Inland Revenue will default a loan if it has not been paid off. Default interest (calculated based on use of money interest of 10.88% plus standard interest rate of 3%) will be charged.

### Inland Revenue Determination: GST on supplies through electronic marketplaces

On 17 March 2025, Inland Revenue published DET 25/01: GST on supplies through electronic marketplaces – hostel and motel opt-out agreement criteria. This determination sets criteria for when a person who supplies accommodation through an electronic marketplace (an underlying supplier) can enter into an opt-out agreement with the operator of an electronic marketplace. The determination is made under section 60C(2BC) of the GST Act 1985. The determination applies for taxable periods starting on or after 1 April 2025 and ending on or before 31 March 2028.

### Inland Revenue: QWBA: Income tax – How do the income tax rules apply when a close company provides short-stay accommodation?

On 17 March 2025, Inland Revenue published draft QWBA PUB00400 Income tax – How do the income tax rules apply when a close company provides short-stay accommodation? The QWBA explains when and how the mixed-use asset rules and the standard tax rules apply and when shareholders or employees will receive income from their use of the property. The consultation period ends 2 May 2025.

### Inland Revenue: Provisional Tax issues (for returns filed 17 to 19 March 2025)

Inland Revenue have fixed issues some taxpayers had with provisional tax when an income tax return was filed or changed between 17 to 20 March 2025.

### Inland Revenue: Two-step verification becoming compulsory for myIR

On 19 March 2025, Inland Revenue announced that from the evening of 28 April 2025, two-step verification (2SV) will be compulsory for all intermediaries, tax agents and potentially some clients.

### Inland Revenue: Tax agents survey update (Oct-Dec 2024)

On 19 March 2025, Inland Revenue published highlights from its most recent Tax Agents Voice of the Customer (TAVOC) survey.

### OS: Cash collateral is "money lent"

On 18 March 2025, Inland Revenue issued OS 25/01: Cash collateral is "money lent". The OS outlines a change of view by the Commissioner of Inland Revenue and sets out the approach that the Commissioner of Inland Revenue will be taking after changing his view on whether cash collateral provided as part of security lending and derivative transactions is "money lent". The Commissioner's view now is that interest arising on cash collateral may therefore be subject to obligations to withhold RWT or NRWT.

The Statement applies from 18 March 2025. However, the conclusion that cash collateral is money lent will be applied prospectively and to allow taxpayers to make the required changes to their systems and any alternative arrangements, the Commissioner expects customers to comply with the new view when taking tax positions from 1 April 2025. The Commissioner will not devote resources to identify incorrect compliance with the resident withholding tax or non-resident withholding tax regimes for previous periods.

### Inland Revenue: Annual Rates Act webinars

On 19 March 2025, Inland Revenue launched its online prerecorded webinar series for changes in the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act. The webinars can be accessed here and cover:

- GST
- Income tax
- Best of the rest (international changes, service pack changes, updated rates and 'other misc. changes that may be of interest').

### Technical Decision Summary: Output tax deductions, shortfall penalties

On 28 February 2025, Inland Revenue issued: TDS 25/03: GST – Output tax deductions, shortfall penalties. It related to a payment by a landlord to a tenant for failure to fulfil a contractual obligation, equal to the rent and outgoings of the tenant under the lease for a specified period. The landlord claimed a deduction from output tax for GST on this payment. The Tax Counsel Office ruled the landlord was not entitled to claim a deduction from output tax, but was not liable for a shortfall penalty.

### Technical Decision Summary: Deductions and shortfall penalties (Adjudication)

On 7 March 2025, Inland Revenue issued TDS 25/04: Deductions and shortfall penalties. It relates to expenses claimed relating to education courses, motor vehicle and home office expenses, and GST input tax deductions claimed for expenses that were incurred prior to the effective date of the Taxpayer's GST registration. The Tax Counsel Office ruled the expenses were deductible and GST input tax deductions could be claimed for some of the expenses.

### Technical Decision Summary: GST – input tax, taxable activity, taxable supplies, registration (Adjudication)

On 10 March 2025, Inland Revenue issued TDS 25/05: GST – input tax, taxable activity, taxable supplies, registration. It related to whether a taxpayer had a valid taxable activity and whether legal services related the sale of land could be considered as input to a taxable supply. The Tax Counsel Office ruled there was a taxable activity but that the taxpayer had not proved the legal expenses were used for making a taxable supply.

### Technical Decision Summary: Receipt of funding (Private Ruling)

On 12 March 2025, Inland Revenue published TDS 25/06: Receipt of funding. It related to funding received from the Crown passed to a subsidiary and used to acquire specified assets and as working capital. The Tax Counsel Office ruled this was a capital receipt.

## Deloitte Global Perspectives

### Australian Federal Budget delivered

On 25 March 2025, Australian Treasurer Jim Chalmers delivered the 2025-26 Australian Federal Budget. The centrepiece was personal income tax cuts for all Australian taxpayers, which will see the lowest marginal tax rate decline from 16% to 14% over two years.

Also announced was a deferral of the expanded Capital Gains Tax (CGT) regime applicable to foreign residents, which was previously meant to commence for CGT events occurring from 1 July 2025. This will be deferred so as to commence from the later of 1 October 2025 or the first quarter after the Act receives Royal Assent.

## OECD Updates

### Consolidated Report on Amount B

On 24 February 2025, the OECD published a consolidated report that incorporates the agreed materials on Amount B that have been released by the Inclusive Framework since February 2024 up until December 2024.

### Taxing capital gains working paper

On 26 February 2025, the OECD published a working paper on the taxation of capital gains.

### OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors

On 27 February 2025, the OECD published the report of the Secretary General setting out recent developments in international tax co-operation, including the OECD's support of G20 priorities such as the implementation of the BEPS minimum standards, the Two-Pillar Solution, and tax transparency, as well as updates on initiatives to enhance tax certainty, and tax administration.

### Latest BEPS Action 14 Mutual Agreement Procedure (MAP) peer review results

On 4 March 2025, the OECD released the latest BEPS Action 14 Mutual Agreement Procedure (MAP) peer review result.

### Global Forum Capacity Building Report

On 6 March 2025, the Global Forum published the latest Global Forum Capacity Building Report. The report notes how developing countries reported close to 80% of the near EUR 4 billion additional revenue (tax, interest and penalties) identified by Global Forum members in 2023 in the context of the implementation and use of the tax transparency standards, with unprecedented revenues registered in Africa.

### New Peer revies on transparency and exchange of information on request

On 18 March 2025, the Global Forum on Transparency and Exchange of Information for Tax Purposes published five new peer review reports transparency and exchange of information on request (EOIR) for Armenia, the British Virgin Islands, Burkina Faso, Côte d'Ivoire and Djibouti.

### OECD Investment Tax Incentives Database 2024 update

On 19 March 2025, the OECD updated its Investment Tax Incentives Database (ITID). It provides insights into corporate income tax incentives for investment in 70 economies, mostly emerging and developing. The database highlights trends on the design, targeting and granting of corporate income tax incentives, notably in terms of instrument-specific design features and eligibility conditions, and whether they support sustainable development objectives. It also provides insights into the evolution of corporate income tax incentives over the 2022–24 period.

### Corporate income tax, investment, and the Net-Zero Transition

On 20 March 2025, the OECD published a conceptual framework outlining key channels through which corporate income tax influences clean investment decisions and broader factors that mediate this relationship. It also identifies policy implications and potential policy options to enhance the alignment of corporate income tax with climate policy objectives.

Note: The items covered here include only those items not covered in other articles in this issue of Tax Alert.

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