

Tax Alert

November 2025

Tax and Social Policy Work Programme Remixed & Remastered

Page 2

When is a repair, not a repair?

The debate continues...

Page 4

Health and safety benefits in dangerous tax territory

Page 7

Gold diggers & tax triggers

When hobbies start paying the bills

Page 10

Deloitte leads in the ITR NZ Leading Practitioners list

Page 12

Snapshot of recent developments

Page 13

Tax and Social Policy Work Programme Remixed & Remastered

By Joe Sothcott and Robyn Walker

At an event held at Deloitte's Wellington offices in late October, the Minister of Revenue, Hon Simon Watts, unveiled the Government's refreshed Tax and Social Policy Work Programme.

The Work Programme sets out the Government's tax policy priorities for the next 12–18 months. When the [previous Work Programme](#) was launched last year, Minister Watts indicated it would be refreshed periodically—allowing completed items to drop off and new priorities to be added. This marks the first such refresh.

The main change from last year's work programme is the number of workstreams has been streamlined from six to four:

- Attracting and retaining capital and talent
- Supporting small businesses
- Simplification and integrity of the tax system
- Improving social policy

Much of the content reflects ongoing initiatives carried over from the previous programme or items currently progressing through Parliament via the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill. Nonetheless, several newly introduced items stand out and merit closer examination.

FIF Stage 2

The Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill introduces the Revenue Account Method (RAM) into the Foreign Investment Fund (FIF) rules. While the initial impact is expected to be limited—applying only to recent migrants and unlisted shares—FIF Stage 2 could broaden access to RAM and may include a review of other parts of the FIF regime, such as the current \$50,000 de minimis threshold.

Review the Impact of the Financial Arrangement Rules on New Migrants

Another welcome addition is the review of how financial arrangement rules affect new migrants. These rules can result in tax on deemed income (such as unrealised exchange rate movements), where tax is charged despite no corresponding cash flow—creating liquidity challenges for those newly arrived in New Zealand.

Simplify Fringe Benefit Tax

Although not new, the Government's renewed commitment to simplifying Fringe Benefit Tax (FBT) is notable. This follows the decision earlier this year not to proceed with proposed reforms in the current Bill. The inclusion signals that FBT reform remains on the agenda.

Consulting on GST issues

While the Work Programme notes that GST amendments are included in the current Bill, they are relatively minor and uncontroversial. Continued inclusion on the Work Programme may pave the way for a broader review of GST rules to address more complex or outdated aspects of the regime.

Reviewing the Tax Treatment of Expenditure on Flood Damage and Land Improvements

This item appears to have emerged from a Tax Counsel Office review of the tax treatment of expenditure related to flood damage and land improvements. It may be subject to public consultation in the near future.

Progressing the Transition to Digital Tax Administration for Tax Intermediaries

Presumably stemming from the 2022 [Tax Administration in a Digital World issues paper](#), this initiative will likely explore how the tax system can better support digital tax intermediaries, making it easier to participate as business models evolve.

Reviewing Software Expenditure by Business on Software as a Service Customisation and Configuration

Split from the broader review of software development expenditure, this item will likely address the mismatch between tax and accounting treatment of Software as a Service (SaaS) customisation and configuration costs.

Reviewing the Tax Treatment of Interest Allocation for Bank Branches

Inland Revenue is reviewing how capital and funding is allocated to foreign bank branches operating in New Zealand.

Other Items

- **Review of elements of the charities and not-for-profits regime:** The review continues, with the Government now focusing on charities controlled by a single donor. The Minister announced that no changes are planned for the treatment of business income, though increased compliance activity is expected.
- **Thin capitalisation for Infrastructure:** Further consultation on this has been confirmed, with changes potentially being included as an Amendment Paper to the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill.
- **Digital economy and International Tax Cooperation:** Now includes reference to the UN Framework Convention on International Tax Cooperation, alongside OECD's Pillar One and Two.
- **Māori Authorities:** Work will begin to simplify tax compliance.
- **NZ Super Fund Tax Exemption Review:** This item has been dropped from the Work Programme, indicating the review has been completed

Looking Ahead

With the next election fast approaching, it remains to be seen how much of the refreshed Work Programme the Government can progress in the time remaining.

Future editions of Tax Alert will continue to keep you informed on the latest tax policy developments. For more information, please contact your usual Deloitte advisor.

Contact



Joe Sothcott
Consultant

Tel: +64 9 975 8500

Email: jsothcott@deloitte.co.nz



Robyn Walker
Partner

Tel: +64 4 470 3615

Email: robwalker@deloitte.co.nz

When is a repair, not a repair?

The debate continues...

By Hiran Patel and Navroz Singh



Capital or revenue expenditure? If only it were that easy.

Taxpayers and accountants often spend countless hours analysing (and debating!) whether expenditure incurred carrying out work on tangible property is a repair and therefore tax deductible, or capital expenditure and as a result, non-deductible (but potentially depreciable).

Fortunately, Inland Revenue has released [draft guidance](#) (Income tax – deductibility of repairs and maintenance – general principles) looking to update and replace [IS 12/03](#) Deductibility of repairs and maintenance expenditure (IS 12/03). This is a positive development given IS 12/03 was issued in 2012, and there have been a number of developments on this topic, particularly in relation to buildings which are currently subject to a 0% depreciation rate.

The new draft guidance draws heavily from IS 12/03, developing on established capital/revenue principles. At its core, the draft guidance is centred around the analysis of the capital limitation rule (s DA 2(1) of the Income Tax Act 2007). The capital limitation denies a deduction for repairs and maintenance expenditure that satisfies the general permission, but is capital in nature.

For completeness, the general permission (s DA 1(1)) outlines that a taxpayer must incur repairs and maintenance expenditure in deriving their assessable or excluded income (i.e., there must be a nexus between the expenditure and the income earning process of the taxpayer), or be incurred in the course of carrying out its business for the purposes of earning assessable income or excluded income.

The significance of this is that repairs and maintenance expenditure that satisfies the general permission can be fully expensed in the year the work is completed.

However, any capital expenditure will be considered non-deductible, and instead will need to be depreciated over the life of the asset (if there is an applicable tax depreciation rate). While not covered in the draft guidance, any improvements to existing assets may qualify for a 20% [Investment Boost deduction](#).

So, how do I know what is capital expenditure?

The two-step approach adopted by the courts in determining whether expenditure is capital or revenue in nature, has been continued in the draft guidance, consistent with IS 12/03:

1. Identify the relevant asset that is being repaired or worked on; and
2. Consider the nature and extent of the work done to that asset.

The courts have emphasised that each situation is unique and the specific facts must be considered carefully. This emphasises the fine lines that these tests often operate in, and how important the facts are in an assessment of this nature.

Step 1: Identify the relevant asset

Courts have provided guidance that the relevant asset is physically distinct from a wider asset of which the item may be a part of, is functionally complete, or varies the function of another item.

Earlier this year Inland Revenue issued [guidance](#) which explains how taxpayers should identify the relevant asset being worked on.

Step 2: Nature and extent of the work done to the asset

When considering the nature and extent of the work done to the asset, there are two key questions:

1. Has the work led to the asset's reconstruction, replacement or renewal – either entirely or substantially? If yes, the cost is considered capital expenditure.
2. If the work does not involve an entire or substantial reconstruction, replacement or renewal, has it gone beyond repairs and changed the asset's character. If yes, the cost is also considered capital in nature.

Relevant factors to consider include changes to the asset's value, earning capacity, useful life, function or operating capacity, whether intended or not as a result of the work done.

That all sounds business as usual, so where's the complexity?

While the principles are generally well established, application of these principles requires careful thought. The nature and extent of the work carried out is an important step in the analysis and is not something that is always clear-cut.

The draft guidance discusses assets that are damaged because of an inherent defect. For example, leaky buildings (where there has been a lot of debate in relation to the capital/revenue distinction in recent years). In such cases, work carried out to remediate the weathertightness of the building will involve large parts of the building and substantial work. At first glance, such work appears of a repairs and maintenance nature to have the building operate as intended. However, in some cases, this work changes the character of the building from its original defective state and is likely to be capital in nature in most cases.

For owners of commercial buildings, this analysis is important as expenditure incurred on the building could either be 100% deductible (as repairs and maintenance) or depreciable at 0% (if it is capital expenditure). In light of the contrasting outcomes and the complexity of the rules, it is important to ensure all analysis is carefully thought through in this area and the Inland Revenue guidance is considered (taxpayers may wish to consider seeking a binding ruling when spending material amounts).

Example 19 in the draft guidance draws out the complexities in this area. The example discusses a taxpayer undertaking work to earthquake strengthen a commercial building and completely refurbish the rundown building at the same time. The relevant asset identified was the commercial building. The draft guidance suggests that the work undertaken involves the reconstruction of the building or a substantial part of it or otherwise alters the character of the building. As such, all expenditure incurred is capital as it forms part of one overall project and cannot be apportioned.

In contrast, example 23 discusses a commercial building that was superficially damaged in an earthquake. While it was in excellent condition when purchased, overtime it had become run rundown.

This meant following the earthquake, more repairs were required than would have been otherwise needed. This included re-plastering and repainting the interior walls, repairing the stairwells and roof as well as replacing broken windows and painting the exterior walls.

On these facts, the guidance indicates that the work does not reconstruct, replace or renew the whole or substantially the whole of the building nor does it change its character as it merely restores the building to its original condition. As such, the expenditure is revenue in nature and deductible as repairs and maintenance.

Residential property

Residential property owners, undertaking work on their properties should also be wary of the draft guidance and ensure it has been worked through (note, Investment Boost does not apply to residential property). This is highlighted in the contrasting outcomes below.

In example 16, kitchen renovations are being undertaken during a vacant period between tenancies due to damage from water leaks and a minor flooding incident. The damage is remediated in a comprehensive manner with the kitchen and sink unit removed to access the water damaged flooring with a new unit, bench and sink to the same specifications installed. In addition, other joinery units are refurbished and the free-standing oven is replaced with a modern equivalent. Given no structural changes have been made, the layout of the kitchen has not been altered or improved – the work amounts to repairs and maintenance as it does not go beyond restoring the original functionality of the kitchen and all new items are like for like replacements.

In contrast, example 17 discusses owners that decide to fully renovate a dated kitchen to achieve premium rents by creating an open-plan kitchen and dining area by removing an internal wall. In this process, the owners gut the kitchen, install underfloor heating, and retile both the kitchen and dining room with new kitchen joinery installed and relocating plumbing and range hood ventilation as well as installing double glazing.

Here, the relevant asset is the rental property. The nature and extent of the work does not amount to a reconstruction, replacement or renewal of the whole or substantially the whole of the rental property, however the work goes beyond mere repairs. The key point is the work has resulted in an improvement to the original asset and has changed the character of the rental property and its functionality. As a result, the costs will be capital in nature with only the chattels being able to be separately depreciated, with all other costs being an improvement to the building structure and depreciable at 0%.

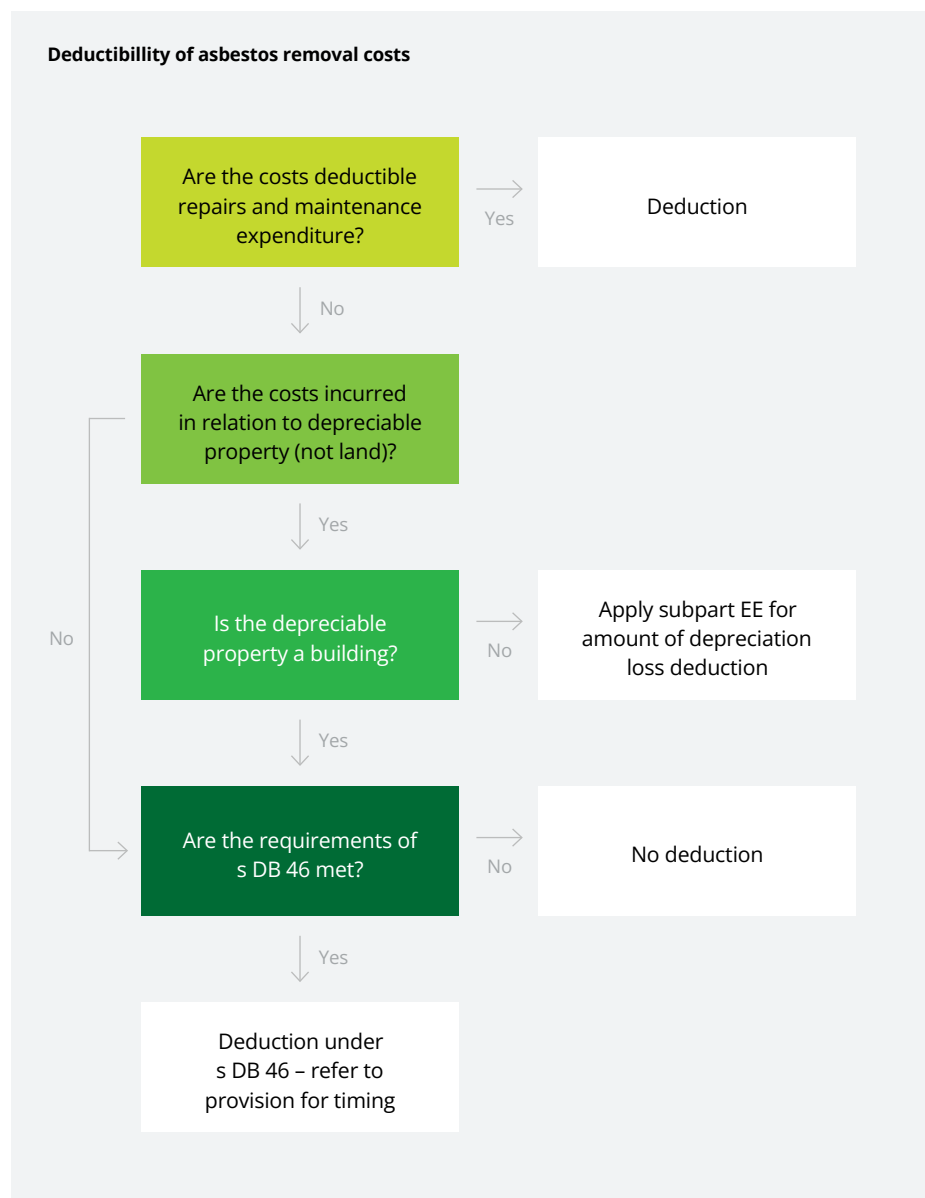
Further, example 22 discusses a rental owner deciding to add two new bedrooms and a bathroom, as well as repainting the entire property and new extension. In this example, while the goal was to extend the property, apportionment between the two projects is available. As such, all costs extending the property are capital in nature (including painting the extension). While painting the existing premises were considered revenue in nature. The key distinction is that it is possible to separate the two projects. The contrast in approaches, illustrate the fine lines that operate in analysing the deductibility of repairs and maintenance expenditure.

Hot off the press - Can a deduction be claimed for asbestos removal costs?

Continuing with the deductions theme, Inland Revenue has also released for consultation a draft Questions We've Been Asked (QWBA): *Can owners of commercial property, residential rental property or other assets used in deriving assessable income claim income tax deductions for costs they incur in removing asbestos?*

The quick answer is yes – generally.

The QWBA looks at the circumstances in which the costs can be treated as repairs and maintenance (and deductible), when a deduction for depreciation loss will be available for capitalised asbestos removal costs, and when a deduction will be available under s DB 46 (a specific deduction provision for avoiding, remedying or mitigating effects of a discharge of contaminants).



The timing of a deduction will depend on the nature and extent of the asbestos removal work and the asset to which it relates and has been summarised in the QWBA in a flow chart.

The QWBA also includes a number of examples that illustrate the tax treatment of the costs incurred in removing asbestos.

Submissions on both the Income tax – deductibility of repairs and maintenance – general principles draft guidance and the asbestos QWBA close on 28 November 2025.

In light of the complexities in this area, we recommend reaching out to your usual Deloitte tax advisor the next time you undertake work on asset or if you would like to discuss making a submission on these guidance documents.

Contact



Hiran Patel
Director
 Tel: +64 4 831 2432
 Email: hiranpatel@deloitte.co.nz



Navroz Singh
Senior Consultant
 Tel: +64 4 831 2434
 Email: navrsingh@deloitte.co.nz

Health and safety benefits in dangerous tax territory

By Robyn Walker



The fringe benefit tax (FBT) regime continues to confuse employers, and the latest Inland Revenue guidance is likely to lead to some employers continuing to be puzzled. In October the draft statement [“When does the fringe benefit tax exclusion for benefits relating to health or safety apply?”](#) was released for consultation.

This item was released due to uncertainty about the breadth of the exemption, likely due to some employers taking liberal interpretations of what is required under health and safety legislation and using this as a justification for an FBT exemption.

What is the health and safety exemption from FBT?

FBT does not apply to the extent a benefit is:

1. Related to an employee's health or safety; and
2. Aimed at managing risks to health and safety in the workplace as provided under the Health and Safety at Work Act 2015; and

3. Would be excluded by the on-premises exemption if the benefit had been provided on the employer's premises. The on-premises exemption applies to benefits other than travel, accommodation, and clothing which are provided and used or consulted by the employee on the employer's premises.

The exemption exists to exempt minor benefits rather than benefits which provide employees with a substantial private benefit.

How does the exemption apply

One of the key matters for employers to consider is whether benefits which are being provided are satisfying all three requirements of the legislation and the benefit is sufficiently connected to mitigating a particular health or safety risk. A benefit which is targeted toward “general health and wellbeing” is unlikely to qualify.

In all cases, it's important for employers to consider their own facts and circumstances when assessing whether the exemption applies as the treatment will vary between employers and the type of health and safety risks that are present. The draft statement states “[w]here employers treat a benefit as excluded from FBT under the health and safety exclusion they are encouraged for FBT purposes to prepare and maintain documentation that identifies the risk to health or safety in the workplace and how the benefit they provide is aimed at managing that risk.”

The draft statement provides an overview of scenarios that Inland Revenue have encountered and assesses this against the requirements of the legislation. One important part of element of the legislation is the link to the “on premises” exemption and the non-application of that exemption to clothing. In a health and safety context this may result in perverse outcomes, which we discuss further below.

Common benefits

While noting that each employer's facts and circumstances may be different, the draft statement provides a table summarising the treatment of common benefits. The table in the draft statement is paraphrased here.

The draft statement also provides five case studies explaining the application of the rules.

Protective clothing

As noted above, the Inland Revenue's view is that protective clothing is not exempt from FBT under the Health and Safety exemption. The reason for this is that the on-premises exemption does not apply to clothing. An alternative outcome is that protective clothing is exempt from FBT by virtue of being "distinctive work clothing". However, the distinctive work clothing exemption requires:

1. The clothing must be part of a uniform that can be identified with the employer by virtue of the permanent or prominent display of the employer's name, logo or other identification or colour scheme; and
2. It is worn in the course of employment; and
3. It is not clothing that employees would normally wear for private purposes.

While certain items of protective clothing like jackets may be more likely to be branded with a name or logo, as a generalisation it may be unlikely that an employer would have branding applied to things like gloves, hard hats, earmuffs, safety goggles, high-vis vests, steel capped boots etc.

So, if the health and safety exemption, on-premises exemption and distinctive work clothing exemption are all unable to apply to protective clothing and equipment it begs the question as to whether this is a logical outcome, whether there is an alternative answer, and if not, whether the law needs to be amended.

Possible benefit	FBT considerations
Workstation evaluation	Health and safety exemption applies
Ergonomic desk / equipment for employees working from home	Health and safety exemption applies
Gym membership	Health and safety exemption does not apply. Any private benefit outweighs the work related benefit
Corporate running / biking events	Health and safety exemption does not apply
Wellness events, seminar or app subscriptions	Health and safety exemption does not apply
Counselling services for managing a high stress workplace	Health and safety exemption applies (however it will not apply to counselling to the extent it covers non-work topics such as relationships, budgeting etc)
Health checks	Health and safety exemption does not apply in most circumstances. The exemption may apply under regulations or relates to an employee's exposure to risk from the workplace
Influenza / COVID-19 vaccinations	Health and safety exemption applies
Eye and hearing tests	Health and safety exemption generally applies
Prescription eyewear and hearing aids	Health and safety exemption does not apply. Any private benefit outweighs the work related benefit
Health insurance premiums	Health and safety exemption does not apply
Medical treatment and general practitioner visits following a workplace injury or illness	Health and safety exemption is unlikely to apply
Protective clothing	Health and safety exemption does not apply
First aid training	Health and safety exemption applies
Screen or insect repellent for employee who work outdoors	Health and safety exemption applies

A potential submission point is to ask Inland Revenue to consider whether the very first hurdle of there being “a benefit” has actually arisen when an employer provides safety equipment. If there is no benefit, there is no need to consider exemptions.

Arguably it should not be a benefit to an employee to be provided with the necessities to be protected from losing limbs or toes and protected from head injuries. It is the employer's obligation under the Health and Safety at Work Act 2015 (section 27) to provide personal protective equipment as an employer who requires an employee to provide their own equipment is liable for a fine of up to \$25,000. Because employees are not expected to provide their own protective equipment, it follows that the employee receives no economic advantage from the employer provided equipment. The employer has not reduced an employees need to incur private expenditure.

In our view, if Inland Revenue concludes there is a benefit to the provision of protective clothing there needs to be a law change to explicitly exempt protective clothing from FBT.

Medical expenses following a workplace accident

Another controversial conclusion in the statement is the conclusion that there is a private benefit to an employee when an employer funds the medical costs of an employee following a workplace accident. While good health is obviously viewed as a benefit to an individual, in the situation of an employer assisting to “put right” a workplace accident to reinstate an employee's health, this does not seem like a scenario where FBT should be levied. Again, if it is concluded there is a benefit, a law change is warranted.

Next steps

Consultation on the draft statement is open until 12 December 2025. Employers should consider what benefits they are providing and assessing compliance with FBT rules based on Inland Revenue's draft position. As noted in the statement, it is recommended that documentation is held to substantiate the rationale for any exemptions provided.

For more information please contact your usual Deloitte advisor.

Contact



Robyn Walker
Partner

Tel: +64 4 470 3615

Email: robwalker@deloitte.co.nz

Gold diggers & tax triggers

When hobbies start paying the bills

By Josh Hope and Graeme Fotheringham



Ongoing cost of living pressures in New Zealand have led some to explore additional sources of income.

A recent example highlighted in the media is the potential rise in amateur gold mining, as the price of gold now exceeds \$7,000 per ounce. The media cited an individual who had given up his day job to pursue gold hunting full time, including creating related online content.

This situation prompts an important income tax question: when does a generally non-taxable hobby become a taxable business?

When does a hobby become a business?

The distinction between hobby and business can be unclear and is a relevant consideration for people undertaking activities outside of their ordinary day jobs but which can generate additional income. This distinction is important as an amount a person derives from a business is income and taxable under s CB 1 of the Income Tax Act 2007 (ITA 2007).

A business is defined in the ITA 2007 as including any profession, trade or undertaking carried on for profit and there are two key elements that must be present. Firstly, there must be an appropriate level of organisation or structure, and a pattern of activity that constitutes an undertaking. Secondly, there must be an intention to generate a profit, even if there is little or no realistic prospect of actually achieving one.

On this basis, if a person decides to undertake an activity specifically in order to boost their income, there is a high likelihood that the resulting income will be taxable and potentially that they are carrying on a business because the activity is organised with an intention to make a profit.

Consider the example of a gold prospector who has a part-time day job and decides to invest the rest of their spare time into gold prospecting to support their income. As part of this, they purchase more advanced equipment in order to extract more gold. In this case, any income generated will be taxable as business income as there is both organised activity and an intention to profit.

Even if an activity falls short of being a "business" under s CB 1 for tax purposes, income can still potentially be taxable under s CB 3 if it is an "amount a person derives from carrying on an undertaking or scheme for the purpose of making a profit". An undertaking or scheme requires less activity than that of a business and often can be for more one-off events or schemes.

Income under ordinary concepts

If amounts received are not business income or income from a profit-making undertaking or scheme, they may still be taxed if they are "income under ordinary concepts" under s CA 1. The criteria for determining income under ordinary concepts have been established under common law:

- Income is something that comes in;
- Income imports some notion of periodicity, recurrence regularity; and
- It depends on its nature in the hands of the recipient.

Where an individual is undertaking activities outside of their ordinary jobs specifically to supplement their income even, even if the activity falls short of being a business, any amounts received are still likely to be taxable as income under ordinary concepts.

At the other end of the spectrum that there will be people with hobbies generating payments which are not income. Using our gold fossicking example again, an individual who searches for gold purely as a hobby for enjoyment in their spare time, using only basic tools like a shovel and gold pan, and recovers only small quantities of gold with minimal financial value, would not be considered to be operating a business. Income resulting from this activity is unlikely to be taxable as the relevant criteria are not met. In this case, the intention is not to profit but purely for enjoyment and the level of work undertaken is minimal.

Other hobby examples include woodworkers or craftspeople who make goods purely for enjoyment and sell the goods to contribute to expenses or as a means of disposing of the items they make.

It will always be a factual assessment whether an amount received from a hobby is income.

Unintentional Income?

A grey area emerges when an individual has participated in a hobby over an extended period without any intention of making a profit, but the activity subsequently begins to generate significant income. A common example is found among content creators and social media influencers, who may experience rapid growth in followers or subscribers and, as a result, begin earning substantial income from what initially started as a hobby. Content creators often invest considerable time and effort into their activities, establishing a clear pattern of engagement.

There is an argument that, despite these developments, the content creator may not have originally intended to generate profit and that the resulting income is incidental. However, when the individual starts to receive larger and more regular amounts of income, this can indicate that the income falls within the ordinary concepts of assessable income.

Continuing with the example of a content creator, if an individual has been consistently posting regular online videos, initially receiving minimal returns but then experiences a sudden increase in advertising revenue and sponsorships, the established pattern of activity combined with the new financial rewards suggests that the amounts received are now income. These earnings are likely to be regarded as income for the individual, particularly as they become substantial enough to materially supplement their overall income. The nature of these payments is therefore significant, and the factors outlined carry an inference of an intention to make a profit from Inland Revenue's perspective. Although the income may not be from a business, or a profit-making undertaking or scheme it is likely to be taxable as income under ordinary concepts. Regular payments have been established, and the amounts are now sufficient for the content creator to support their lifestyle and personal expenses. Inland Revenue has issued [specific guidance](#) for content creators to help them meet their income tax obligations.

Have you got a genuine business?

There is also a risk that taxpayers may claim deductions for activities that are, in substance, hobbies rather than genuine businesses. For instance, our small-scale gold prospector above working in their spare time with minimal gold extracted and consistently running at a loss that is used to offset profits from other business ventures. In such cases, the activity will not meet the criteria of a business, it is more accurately characterised as a hobby. Claiming deductions and utilising losses in this context is not appropriate.

Final thoughts

If you are undertaking a side hustle to ease the increase in the cost of living or simply for the love of the hobby you are engaging in, it is worth considering whether you could be deriving taxable income which needs to be returned. If you have any questions about this, please contact your usual Deloitte advisor.

Contact



Josh Hope
Consultant

Tel: +64 3 474 8640
Email: johope@deloitte.co.nz



Graeme Fotheringham
Director

Tel: +64 3 474 8696
Email: gfotheringham@deloitte.co.nz



Deloitte leads in the ITR NZ Leading Practitioners list

The International Tax Review (ITR)* world tax leaders were recently announced for the 2026 year.

Deloitte New Zealand has a number of world-leading tax practitioners, with the following leading advisors receiving ITR rankings for the 2026 year.

**The ITR is one of the world's most influential tax professional journals.*

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2026 ITR World Tax
Highly Regarded
Practitioner



Jeanne du Buisson
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TRANSFER PRICING



Bart de Gouw
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TRANSACTIONAL TAX



Jamie Dawson
2026 ITR World Tax
Promoted Practitioner



Vyshi Hariharan
2026 ITR World Tax
Promoted Practitioner

Snapshot of recent developments



Tax legislation and Policy Announcements

Public Remedials Log (September 2025)

The Public Remedials Log has been [updated](#) for September.

Ensuring FamilyBoost reaches more families – information release

On 2 October 2025, Inland Revenue [published](#) the information release for documents relating to Income Tax (FamilyBoost) Amendment Act 2025.

Croatia and New Zealand Initial Tax Treaty

On 3 October 2025, the Croatian Government [published](#) information that representatives of Croatia and New Zealand have initialled an income tax treaty. It must be signed and ratified by both contracting parties before entering into force.

Act Commentary: Income Tax (FamilyBoost) Amendment Act 2025

On 7 October 2025, Inland Revenue [published](#) the Act Commentary for the Income Tax (FamilyBoost) Amendment Act 2025 which received Royal assent on 23 September 2025. The commentary provides an explanation of the changes made by the Act, which introduces adjustments to the FamilyBoost tax credit settings.

Taxation (Annual Rates for 2025-26, Compliance Simplification, and Remedial Measures) Bill – information release

On 9 October 2025, Inland Revenue [published](#) an information release including documents relating to Taxation (Annual Rates for 2025-26, Compliance Simplification, and Remedial Measures) Bill.

Working for Families scheme – summary of consultation

On 10 October 2025, Inland Revenue and the Ministry of Social Development [released](#) a summary of the main themes that emerged from consultation on proposed changes to the Working for Families scheme. All matters raised in the discussion document are being considered further and could be subject to further consultation.

Racing Industry (Closure of Greyhound Racing Industry) Amendment Bill

On 13 October 2025, the Government introduced the Racing Industry (Closure of Greyhound Racing Industry) Amendment Bill, which proposes to close the greyhound racing industry and [includes](#) consequential amendments to Tax Acts:

- GST Tax Act 1985: In s 5(11CB), deletes “or greyhound”.
- Income Tax Act 2007: Repeals s CW 47(1)(d).

Inland Revenue Statements and Guidance

Public Guidance Work Programme update (October 2025)

On 1 October 2025, Inland Revenue [issued](#) an updated public guidance work programme.

Tax Information Bulletin: October 2025

On 1 October 2025, Inland Revenue [issued](#) TIB Vol 27, No 9 (October 2025):

New legislation

- SL 2025/151: Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations (No 2) 2025
- SL 2025/150: Income Tax (Deemed Rate of Return on Attributing Interests in Foreign Investment Funds, 2024–25 Income Year) Order 2025

Ruling

- BR Prd 25/04: PPS Mutual Limited

Operational position

- OP 25/02: Commissioner's operational position on the FBT treatment of open loop cards provided by employers to employees

Interpretation statements

- IS 25/19: Income Tax – Whether an off-market share cancellation is made in lieu of the payment of a dividend
- IS 25/20: Student Loans – Overseas borrowers and their obligations

General article

- GA 25/01: Tax on any fees paid to a member of a board, committee, panel, review group or task force

Technical decision summaries

- TDS 25/21: Omitted income and shortfall penalty
- TDS 25/22: GST – supply of accommodation

Overdue employer and GST debt and returns

On 1 October 2025, Inland Revenue [announced](#) a targeted campaign aimed at taxpayers with debt less than 12 months old, for clients who have already been through Inland Revenue's full billing cycle but have not yet responded. As part of this initiative, Inland Revenue will be reaching out to them again.

Updated calculator for FamilyBoost changes

On 1 October 2025, Inland Revenue [announced](#) an updated calculator to help families work out if they can get more support through FamilyBoost is now available on the Inland Revenue website.

PAYE offending ends with home detention sentence

On 1 October 2025, Inland Revenue [provided](#) the details of a Christchurch man who was sentenced to 10 months home detention for deducting PAYE from his workers' wages but not passing it on to Inland Revenue.

System update complete – new 'debt collection' tab

On 5 October 2025, Inland Revenue [confirmed](#) they had successfully completed their system update. After the system update a new tab has appeared on some taxpayers myIR pages "debt collection" which gives greater visibility over debt.

Inland Revenue: Two-step verification is compulsory for all myIR users and text message is now available

On 6 October 2025, Inland Revenue [announced](#) that two-step verification (2SV) was compulsory for all myIR users and text message is now available for 2SV.

Final-year Fees Free comes to Inland Revenue

On 6 October 2025, Inland Revenue [announced](#) that it is now responsible for supporting tertiary learners with final-year Fees Free information, assessing learner eligibility and paying entitlements.

Final-year Fee Free covers fees for the final year of study or final 2 years of work-based learning, up to \$12,000. Learners enrol for study or work-based learning and pay their fees. They can apply for Fees Free after they have completed their qualification or programme.

Learners can apply for Fees Free in myIR from 15 January 2026.

First-year Fees Free finished on 31 December 2024.

GST - Taxable Activity Interpretation Statement

On 8 October 2025, IR [issued](#) IS 25/21: GST - Taxable Activity. The interpretation statement sets out the Commissioner of Inland Revenue's view on the meaning of "taxable activity". The Commissioner has discussed this concept in numerous public items, but generally in a specific context. This statement is of more general application.

The concept of taxable activity is a fundamental principle for GST, without a taxable activity there is no requirement to register or charge for GST. As such, it is considered useful that the Commissioner provide his view of the meaning of "taxable activity".

The key elements of taxable activity discussed in this interpretation statement are:

- what constitutes an "activity";
- when an activity is being "carried on";
- what "continuously or regularly" means;
- the significance of the words "whether or not for a pecuniary profit";
- what is meant by the requirement that the activity "involves or is intended to involve, in whole or in part, the supply of goods and services ... for a consideration";
- the reference to the activity being "carried on in the form of a business, trade, manufacture, profession, vocation, association, or club";
- the inclusion of public authorities, local authorities and public purpose Crown-controlled companies;
- the application of section 6(2) ("anything done in connection with the beginning or ending ... of a taxable activity"); and
- the exclusions from the definition of "taxable activity" in section 6(3), particularly the exclusions for any activity carried on essentially as a private recreational pursuit or hobby (sections 6(3)(a) and 6(3)(aa)).

The guidance includes a number of examples of when the Commissioner does and does not consider there is a taxable activity.

Withdrawal of General Article “Information Sharing with Approved Credit Report Agencies”

On 8 October 2025, Inland Revenue [withdrew](#) the General Article Information Sharing with Approved Credit Reporting Agencies. The Commissioner of Inland Revenue is reviewing his approach to the credit reporting legislation in the Tax Administration Act 1994 to give full effect to Parliament’s purpose for the credit reporting rules.

Overdue employer and GST debt and returns

On 8 October 2025, Inland Revenue [provided](#) further information on a targeted campaign on overdue employer and GST debt returns.

Ignoring tax debt won’t make it go away

On 13 October 2025, Inland Revenue [issued](#) a media release on tax debt, which included:

- Inland Revenue has started to call taxpayers with relatively small overdue GST/EMP tax (debt of over \$1,000 between 6 months and 5 years old)
- If the debt is more than \$10,000 Inland Revenue will ‘remind’ of possible legal consequences
- Since mid-June Inland Revenue has sent out 16,500 notices about planned bank deductions – 25% more than for the whole of last year
- Between mid-June and September 30, 8,181 deductions were completed with \$17m of debt recovered.

Changes to the tax agents’ phone line coming 13 October

On 8 October 2025, Inland Revenue [announced](#) changes are being made to the tax agents’ phone line from Monday 13 October 2025.

When Inland Revenue is unable to accept new calls on the tax agent’s line:

- There will be a message at the start of the call instead of going through Inland Revenue’s SPK2IR phone system
- The call will then be disconnected.

These changes apply only to the tax agents’ phone line.

Withdrawal of Imaging of electronic storage media standard practice statement

On 10 October 2025, Inland Revenue [withdrew](#) SPS 10/02: Imaging of electronic storage media. SPS 10/02 was published in 2010 and has been superseded by OS 25/04: The Commissioner of Inland Revenue’s search powers and OS 25/05: Section 17B Notices.

Systems update and shutdown on 6 and 7 December 2025

On 14 October 2025, Inland Revenue [announced](#) a system update to take place over the weekend of Saturday 6 and Sunday 7 December. During this period myIR, gateway services, self-service phonelines and other systems will be unavailable.

Inland Revenue Annual Report 2024-25

On 20 October 2025, Inland Revenue [published](#) its 2024-25 Annual Report. This year’s annual report outlines the Inland Revenue’s performance under a new structure. Some highlights from the report are

- Total tax revenue for the year was \$116.6b:
 - Individual tax: \$60.4b (52% of tax revenue)
 - GST: \$29.3b (25% of tax revenue)
 - Corporate tax: \$19.7b (17% of tax revenue)
 - Other tax: \$7.2b (6% of tax revenue)
- Inland Revenue met 26 of 31 output performance measures (84%), up from 76% last year.
- The return on investment from compliance intervention was \$11.81 for every dollar spent, compared to \$9.50 in 2024.
- 7.2m employer information returns were filed 2024-25.
- 437,000 company returns were filed (2024 year).
- 712,000 taxpayers were registered for GST (2024-25), filing 3.19m GST returns.
- 1.94m income tax returns were filed (2024 year).
- It cost Inland Revenue \$0.46 to collect \$100 in tax (in 2025 \$0.45, 2024, \$0.43 and prior to Business Transformation (2015) \$0.80)

- Compliance activities:
 - 17,940 field visits
 - 7,641 audits opened (49% increase)
 - 6,147 audits closed (42% increase)
 - 28,530 Voluntary Disclosures (1% increase)
 - 88,367 deduction notices (19% increase)
- Inland Revenue has 4,526 full-time employees (up from 4,384 in 2024) with an average age of 45 and average length of service of 12.7 years (down from 15.5 years in 2021).

Draft Interpretation Statement: GST treatment of supplies of payment processing or facilitation services to merchants

On 20 October 2025, Inland Revenue [published](#) draft guidance [PUB00515](#): GST treatment of supplies of payment processing or facilitation services to merchants.

The draft guidance applies to entities that provide payment processing or facilitation services, including payment technology, to merchants. These entities include payment service providers (PSPs), by now, pay later (BNPL) providers and other suppliers of payment technology or infrastructure. The draft Interpretation Statement provides a framework to determine whether services provided to merchants are financial services. When the supply to merchants includes settlement services, there will be a supply of financial services, and these supplies will be GST exempt (or zero rated if applicable). The draft Interpretation Statement also explains whether there is a single supply or multiple supplies of services that may have different GST treatments.

Deadline for submissions is 8 December 2025.

Changes to sharing information about unpaid tax

On 21 October 2025, Inland Revenue [announced](#) it has made changes to how it shares information about unpaid tax (credit reporting) to a credit agency.

Starting 13 October 2025, Inland Revenue are running a pilot where selected businesses will be formally notified of their outstanding debt. If businesses contacted do not take positive action—such as setting up an instalment arrangement—they will be credit reported.

Businesses will have 30 days to respond before any credit reporting takes place.

The formal notification (Notice of Intent) will appear in the company's myIR account on the day that the notification is couriered to the company's registered office. The 30-day response period starts from the date the notification is delivered to the registered office.

'Reasonable efforts' now include Inland Revenue sending its standard overdue reminders and options for repayment, but the business has not yet engaged with Inland Revenue.

'Formal notification' to the company is now sufficient—not all individual directors will be notified.

GST returns filing – due on 28 October

On 22 October 2025, Inland Revenue [provided](#) some reminders to assist it processing returns as it enters into a busy GST return filing period.

Questions We've Been Asked: Public private partnership projects and business continuity test for losses

On 23 October 2025, Inland Revenue [issued](#) QB 25/21: Income tax – Public private partnership projects and business continuity test for losses. It addresses whether transitioning from the design and construction (D&C) phase to the operation and maintenance (O&M) phase constitutes a “major change” in business activities under the business continuity test (BCT). Inland Revenue concluded that while this transition could be considered a major change, it qualifies as a “permitted major change” due to the close economic, legal, and financial connection between the two phases.

Therefore, even if there is a breach in ownership continuity, a corporate Contractor or its limited partner may still carry forward tax losses, provided other BCT requirements are met and anti-avoidance provisions do not apply.

Severe weather conditions in late October

On 24 October 2025, Inland Revenue [announced](#) that clients that have been affected by recent severe weather do not need to contact Inland Revenue right now and instead should focus on recovering from the damage caused. When they can, they should get in touch via myIR including the word 'weather' or call Inland Revenue on their disaster line 0800 473 566.

Draft Interpretation Statement: Working for Families tax credits and family scheme income

On 24 October 2025, Inland Revenue [issued](#) PUB00513: Working for Families tax credits and family scheme income and an accompanying [fact sheet](#).

This interpretation statement gives an overview of eligibility for Working for Families tax credits and discusses the adjustments required to a person's net income to determine family scheme income. Key adjustments that may be relevant are income from associated trusts and companies, passive income over \$500 of dependent children, payments from trusts other than beneficiary income and other payments supporting the family if they total more than \$5,000.

The deadline for submissions is 9 December 2025.

Case Summaries

Case Summary: CSUM 25/12 High Court refuses to grant stay of liquidation pending outcome of judicial review proceeding

On 20 October 2025, Inland Revenue [published](#) CSUM 25/12. The Commissioner of Inland Revenue commenced liquidation proceedings against KD Transport Limited (KD). KD requested relief under s 177 of the Tax Administration Act 1994 which the Commissioner of Inland Revenue declined.

KD sought judicial review of the Commissioner's decision declining its proposal for relief and also applied to stay the liquidation proceeding, pending determination of its judicial review application. The stay application needed an extension of time as it was made outside the five working day period prescribed in the High Court Rules. The application for an extension of time was dismissed, and the Associate Judge made an order liquidating KD.

Technical Decision Summaries

TDS: Disposal of cryptoassets (Adjudication)

On 6 October 2025, Inland Revenue published [TDS 25/23](#) Disposal of cryptoassets (a disputes adjudication). The taxpayers jointly held cryptoassets (Crypto Y) and claimed their investment was for long-term returns via future staking rewards, but they made significant disposals shortly after purchase and reinvested proceeds into other assets and back into Crypto Y. Despite later earning staking rewards and reporting income and expenses in their tax returns, they sought to reverse these via a Notice of Proposed Adjustment. Inland Revenue rejected the reversal, and adjudication upheld that the disposals and staking rewards were taxable: the crypto was acquired for disposal (s CB 4), involved a profit-making scheme (s CB 3), and staking rewards were income under ordinary concepts (s CA 1(2)).

TDS: The supply of accommodation in a serviced apartment (Private Ruling)

On 22 October 2025, Inland Revenue [issued](#) TDS 25/24: The supply of accommodation in a serviced apartment. It considered whether the provision of serviced apartment accommodation in a retirement village, bundled with a mandatory hospitality package, constituted a taxable supply of accommodation in a “commercial dwelling” under s 2(1) of the GST Act 1985. The hospitality package included services such as meals, cleaning, health checks, emergency monitoring, and recreational access. Residents entered into occupation right agreements and paid monthly fees for these services. The Tax Counsel Office ruled that the arrangement met the definition of a “commercial dwelling” and was therefore a taxable supply for GST purposes.

TDS: Restructure and transfer of shares (Private Ruling)

On 24 October 2025, Inland Revenue issued TDS 25/25: Restructure and transfer of shares. It considered whether a future sale of shares transferred during a group restructure would be taxable under s CB 4 under the Income Tax Act 2007. The restructure involved transferring investment assets, including shares in Company A, from the parent company to a wholly owned subsidiary to streamline administration and reduce compliance costs. Although a potential sale of Company A had been signalled due to liquidity concerns, no commitment to sell existed. The Tax Counsel Office ruled that s CB 4 would not apply to any future sale of the shares, provided the subsidiary's dominant purpose in acquiring them was not to dispose of them.

OECD updates

Argentina ratifies BEPS Convention

On 29 September 2025, Argentina deposited its instrument of ratification for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS Convention). The BEPS Convention will enter into force on 1 January 2026 for Argentina.

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

On 15 October 2025, the OECD Secretary-General presented his tax report to G20 Finance Ministers and Central Bank Governors during the G20's meeting in Washington D.C. The report sets 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 to Address the Tax Challenges Arising from the Digitalisation of the Economy, and tax transparency. At the request of the South African G20 Presidency, the report also presents the following materials: an Inclusive Framework stocktake report on BEPS implementation and impact over the past ten years; and a voluntary international framework approved by the OECD Committee on Fiscal Affairs to promote the automatic exchange of readily available information on real estate.

Platform for Collaboration on Tax Publish the Report on Progress in Strengthening Frameworks for Building Tax Capacity

On 15 October 2025, the Platform for Collaboration on Tax (PCT) released a new report on Progress in Strengthening Frameworks for Building Tax Capacity. The report responds to the February 2025 G20 request for the PCT and regional organisations to coordinate and report on efforts to enhance the effectiveness and efficiency of technical assistance in tax capacity building, as emphasized in the Rio de Janeiro G20 Ministerial Declaration on International Tax Cooperation.

Brazil signs the Multilateral BEPS Convention

On 20 October 2025, Brazil signed the BEPS Convention.

OECD published transfer pricing countries profiles

On 22 October 2025, the OECD published a new batch of updated transfer pricing country profiles, reflecting the current transfer pricing legislation and practices of 25 jurisdictions and including for the first time the profiles of Cabo Verde, Guatemala, Thailand, UAE, and Zambia.

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



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Tax Alert including joining our mailing
list, can be directed to the editor.

Amy Sexton

+64 (9) 953 6012

aseyton@deloitte.co.nz

Auckland

Deloitte Centre, Level 20, 1 Queen Street,
Auckland, 1010
+64 (0)9 303 0700

Hamilton

Deloitte House, 24 Anzac Parade,
Hamilton, 3216
+64 (0)7 838 4800

Christchurch

151 Cambridge Terrace, Christchurch Central,
Christchurch, 8013
+64 (0)3 363 3800

Auckland – North Shore

Level 2, 55 Corinthian Drive, Albany,
Auckland-North Shore, 0632
+64 (0)9 303 0700

Rotorua

Level 2, 1176 Amohau Street,
Rotorua, 3010
+64 (0)7 343 1050

Dunedin

Otago House, 481 Moray Place,
Dunedin, 9016
+64 (0)3 474 8630

Tauranga

Level 2, Northern Quarter, 45 The Strand,
Tauranga 3110
+64 (0)9 303 0700

Wellington

Level 12, 20 Customhouse Quay,
Wellington, 6011
+64 (0)4 470 3500

Queenstown

Level 2, 10 Memorial Street,
Queenstown, 9300
+64 (0)3 901 0570

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