

# Tax Alert

October 2025

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# Millions left behind

## The push to simplify unclaimed money claims

By Amy Sexton and Robyn Walker

The prospect of a significant sum of money lying dormant and unclaimed will motivate many to search the Inland Revenue's unclaimed money database, especially when media coverage draws attention to its existence.

The recent Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill (the Bill) proposes changes aimed at simplifying the management of unclaimed money by Inland Revenue, with the intention of making it easier for rightful owners to make claims.

### What is “Unclaimed Money”

Unclaimed money are funds held by an individual or organisation (such as bank, solicitor, utility company, life insurer, employer, other business) where the rightful owner cannot be located. After a specified period of time passes without contact, these funds are classified as “unclaimed” and transferred to an administrator. The required time period varies depending on the type of funds involved.

While Inland Revenue is widely recognised for administering unclaimed money, not all categories of unclaimed funds fall under its responsibility, a raft of options are outlined on [The Treasury website](#).

### What are the proposed changes?

#### Additional information

Currently the Unclaimed Money Act 1971 puts the following obligations on holders of unclaimed money:

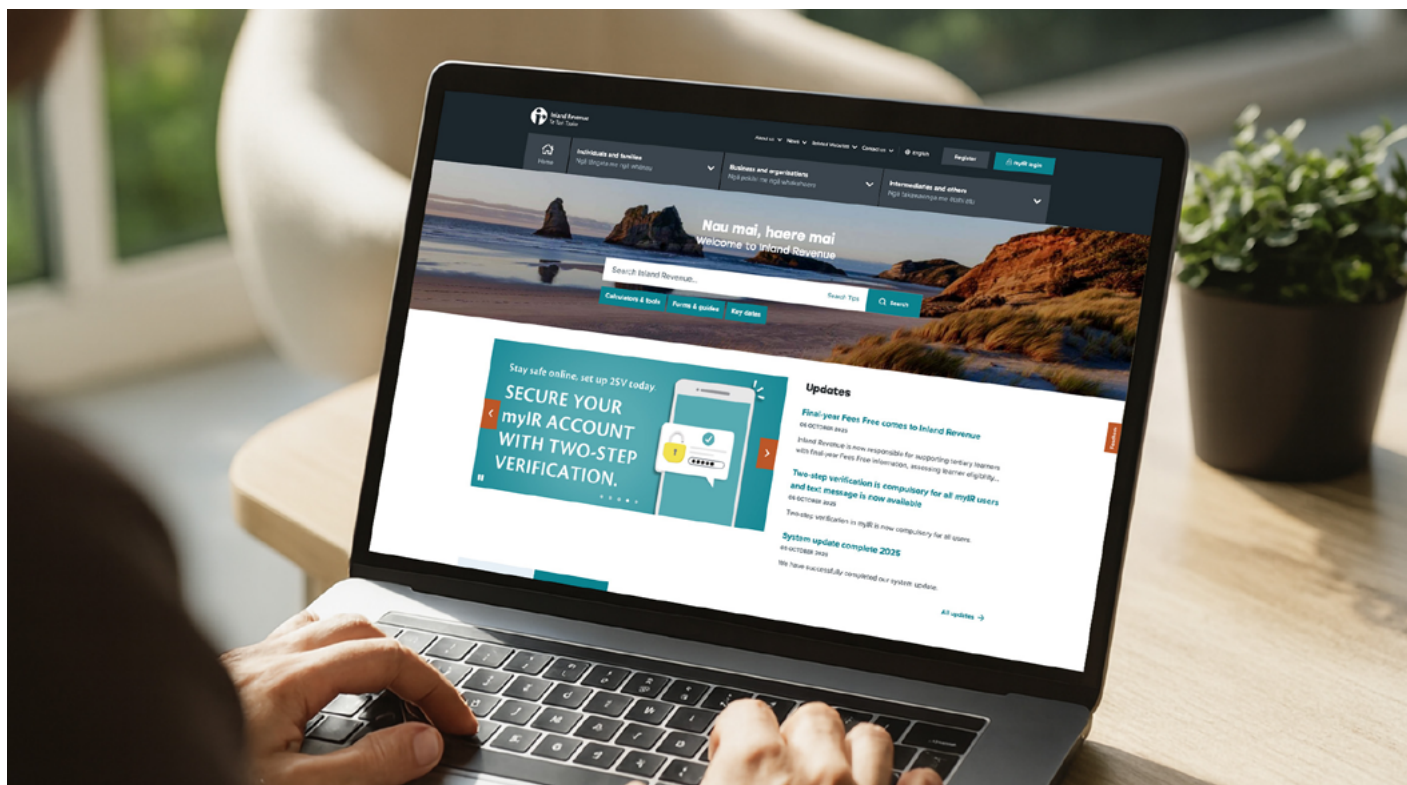
1. A holder must make reasonable efforts to locate the owner of money that is, or will soon become, unclaimed money and to communicate with the owner concerning the money.
2. A holder of money that pays the money to the Commissioner as unclaimed money must provide to the Commissioner, with or before the payment and in a form acceptable to the Commissioner, the information relating to the owner and the money that is in the possession or control of the holder and is readily available to the holder, including—
  - a. the source, and history of the accrual, of the amount;
  - b. the identity and whereabouts of the owner;
  - c. the source of the owner's entitlement to payment of the money.

Under the Bill, when transferring unclaimed money, holders will be required to provide Inland Revenue with more detailed information to assist in identifying the rightful owner. The new legislation will read as follows:

1. A holder must make reasonable efforts to locate the owner of money that is, or will soon become, unclaimed money and to communicate with the owner concerning the money.

2. A holder of money that pays the money to the Commissioner as unclaimed money must provide to the Commissioner, with or before the payment and in a form acceptable to the Commissioner, the information relating to the owner and the money that is in the possession or control of the holder and is readily available to the holder, including—
  - a. the source, and history of the accrual, of the amount:
    - aa. the full name, date of birth, and tax file number of the owner;
    - ab. the address and contact details of the owner;
    - b. the whereabouts of the owner;
    - c. the source of the owner's entitlement to payment of the money.
  - d. where applicable, the number of the account where the money is held, the date the account was opened, and the date of the owner's last interaction with the account.

It is important to note that under both the current and proposed legislation, the information needs to be in the “possession or control” and “readily available” to the holder. With more data points being required upfront there will be a need for businesses dealing with unclaimed money to give thought to whether new systems and processes are required to efficiently extract information, particularly if it is spread across different information sources.



## 20 year time bar

In 2021 a 25 year time bar was introduced for unclaimed money administered by Inland Revenue. The proposal is to reduce this time bar to 20 years (which is still a very long time!). If money remains unclaimed after the time bar, it will be removed from the unclaimed money list and transferred to the Crown.

## Why make changes?

Currently, claimants often face challenges in proving ownership of unclaimed money, leading to considerable correspondence with Inland Revenue. These proposed changes are intended to streamline the process for all parties involved. For context, in the 2023/24 year Inland Revenue received 23,000 claims for unclaimed money but approved only 4,300 claims, amounting to \$36.5m, with over \$0.5b remaining unclaimed.

These proposed changes are scheduled to take effect from 1 April 2026.

If you believe you may have a claim to unclaimed money and are unsure how to establish ownership, please contact your usual Deloitte advisor for assistance.

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# Deductibility of sponsorship expenditure

By Robyn Walker

Over the last couple of decades we have seen changes to how businesses promote their brands, with a variety of methods deployed to get a brand's name out to potential customers, along with more established brands vying to stay at the forefront of consumer's minds, including by working with influencers. It's timely, therefore, that Inland Revenue have [issued refreshed guidance](#) on the income tax treatment of providing sponsorship for consultation.

The new consultation item draws heavily on the [previous guidance](#) from the start of the century, giving a glimpse that while modes of sponsorship may have changed in the last two decades, the tax rules have remained fairly consistent. The key issue when it comes to sponsorship is whether the cost is a deductible business expense.

## What is sponsorship?

While traditionally sponsorship might have been in the form of cash payments, over the years a variety of practices have evolved, including by donating trading stock in times of need and supplying product to influencers to try and promote.

Helpfully the draft statement provides a definition "supporting an organisation, event, person, or cause either monetarily or by providing products or services, where the taxpayer (the sponsor) intends that the sponsorship will promote or advertise their business."

## Is the expenditure deductible?

This is a bread and butter tax issue – is the expenditure incurred in deriving income or in the course of carrying on a business with the purpose of deriving income, and do any of the "limitations" apply, most notably the capital limitation or private limitation.

In most instances this will be a straightforward inquiry, with expenditure generally having some correlation to promoting the business to earn income, but in some cases this is less straight forward, with the draft statement including 17 examples to help illustrate boundary lines.

The draft statement makes some key points to be aware of:

- It's necessary to ascertain the true character of the expenditure
- The advantage or gain being sought is a subjective matter, and it isn't a deal breaker if no additional income directly arises as a result of the expenditure
- Whether a third party benefits is also not a deal breaker, but it may mean that some level of apportionment is required if that benefit is more than incidental.
- It has become increasingly common for larger businesses to "give back" to the community. This can have a philanthropic motivation but there is often also a business motivation. Having a philanthropic motivation won't preclude deductibility (noting that it may also qualify for a deduction as a donation depending on the recipient).
- Things that support deductibility include: specific terms of a sponsorship agreement, a coherent marketing strategy, the relationship between the market and the taxpayer's business, and the relationship between the expenditure and resulting income.

## Limitations

In some cases a sponsor is entering into a long term arrangement. In these cases it's important to look at how sponsorship expenditure should be deducted over a number of years. Again, this looks to standard tax (and accounting rules), to ensure that unexpired expenditure is added back and deducted in the following year.

The draft statement also considers the "private limitation" on the basis that it is possible, particularly in smaller businesses, where private benefits are obtained from the sponsorship and there might be a less clear correlation between the business and the thing being sponsored.

A 1989 case is quoted about a radiator business that sponsors a go-karting team because the principal enjoyed go-karting; in that case the expenditure was held to be fully deductible with any private enjoyment of the owner being incidental to the purpose of advertising.

## What about trading stock?

The rules around trading stock have always been slightly strained as section GC 1 of the Income Tax Act 2007 can apply if trading stock has been disposed of for an amount less than market value. So when trading stock is being provided as part of a sponsorship arrangement there can be some tension as to whether the benefits received are at least equal to the value of the trading stock. The draft statement provides helpful comments that section GC 1 generally won't apply in non-associated person situations where trading stock is being provided on the expectation that it will be provided. The draft statement provides an example of cosmetic products being provided to a social media influencer (without a formal agreement) in anticipation that the products may be reviewed and featured. In this case the example concludes that a deduction is available and section GC 1 will not apply. While not specifically referenced, the influencer will need to be reading [IS 21/08](#) Content Creators – Tax Issues.

## Thoughts

Overall the draft statement provides a useful summary of the things to consider when determining whether a sponsorship cost is deductible. With this new guidance out, it's timely reminder for businesses to consider what arrangements are already in place and to ensure the tax treatments are consistent with Inland Revenue's expectations.

For more information, contact your usual Deloitte advisor.

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# Published, pending, and on hold

## Inland Revenue's public guidance work programme

By Joe Sothcott and Robyn Walker



The [Public Guidance Work Programme](#) is a frequently overlooked yet invaluable publication produced by the Inland Revenue's Tax Counsel Office.

The Tax Counsel Office (TCO) is responsible for determining the Commissioner of Inland Revenue's view on the tax laws and provides advice on tax technical matters, as well as having some oversight as to how tax laws are implemented within in the Inland Revenue.

The Work Programme tracks the status of priority interpretation items under development.

With the latest update published on 1 October 2025 we take a look at what's currently included, what's missing, how it's compiled, and what new items have been added.

### What Is the Public Guidance Work Programme?

The Work Programme currently includes only items issued by the TCO, specifically:

- **Interpretation Statements** – These set out the Commissioner's view on how tax law applies to broader areas of tax. (Items finalised in year to September 2025: 22)
- **Questions We've Been Asked (QWBAs)** – Short-form guidance responding to specific, practical questions raised by taxpayers or advisors. (Items finalised in year to September 2025: 20)

While both are non-binding, they are considered authoritative and are widely relied upon by taxpayers and advisors.

The Work Programme does not include items produced by the Technical Standards team, such as:

- **Standard Practice Statements** (Items finalised in year to September 2025: 0)
- **Operational Statements** (Items finalised in year to September 2025: 5)
- **Commissioner's Statements** (Items finalised in year to September 2025: 0)
- **Kilometre rates for motor vehicle expenses** (annually published)
- **Determinations** (Items finalised in year to September 2025: 17)

For example, the Draft Standard Practice Statement on Mutual Transactions of Associations (ED0265) is not listed in the Work Programme. Deloitte understands that, after public consultation over the draft guidance, the item is now on hold pending referral to Inland Revenue's Policy team for a potential policy change.

Deloitte's view is that all public guidance items, whether from the TCO Office or the Technical Standards team, should be published in a single consolidated work programme. This would improve transparency and make it easier to identify when items are on hold pending policy consideration.

### How Is the Work Programme Compiled?

The Work Programme includes:

- Consultation items—including those scheduled to begin consultation, currently under consultation, or where consultation has recently closed.
- Pre-consultation items in development or not yet started
- Items currently on hold

Transparency is the underlying principle of the Public Guidance Work Programme. TCO refreshes the Work Programme annually, and prior to each refresh, it invites public submissions on technical issues, gaps in existing guidance, and emerging areas of uncertainty. Submissions generally can be made via email or via an Inland Revenue form. Keep an eye out around mid-2026 for the next opportunity to contribute submissions for the Work Programme.

Once submissions are received, the TCO evaluates them based on:

- Importance of the issue
- Level of uncertainty or ambiguity
- Number of taxpayers affected
- Need to resolve existing issues
- Potential revenue implications

A draft Work Programme is then prepared and circulated to key stakeholders for feedback (including on relative priority) before the final version is published.

### What's New in the 2025–26 Work Programme?

The refreshed Work Programme includes a long list of new items:

1. PUB00523: Income tax and GST – Associated persons
2. PUB00524: GST – B2B loyalty schemes
3. PUB00525: GST – Compulsory zero-rating of land – update of IS 17/08
4. PUB00526: GST – Concurrent land use
5. PUB00527: GST – Financial services – custodian, supervisor and trustee fees
6. PUB00528: GST – Financial services – planning fees – refresh of IS0052
7. PUB00529: GST – Goods and services acquired for \$10,000 or less
8. PUB00530: GST – Types of unincorporated bodies
9. PUB00531: Income tax – B2B loyalty schemes
10. PUB00532: Income tax – deductions – financial planning fees – refresh of IS0044
11. PUB00533: Income tax – Depreciation – low value assets
12. PUB00534: Income tax – Intra-group dividends – s CD 27
13. PUB00535: Income tax – Losses – business continuity and part year losses
14. PUB00536: Income tax – NZ custodians' 'top-up' amount of RWT
15. PUB00537: Income tax – Retention money and performance bonds under construction contracts – update of QB 13/04
16. PUB00538: Income tax – Salaried payments – withholding obligations under Sch 4, Part F
17. PUB00539: Income tax – Share lending issues
18. PUB00540: Income tax – Transferable development rights
19. PUB00541: Income tax – Trusts – interest deductibility
20. PUB00543: Income tax – FIFs – whether cost and CV methods can be used concurrently
21. PUB00544: Income tax – When is a trustee a bare trustee
22. PUB00545: GST – Fees of board members appointed by the Governor-General or Governor-General in Council

Some taxpayers may understandably have trepidations about a few of the items and whether they may open a Pandora's box where interpretation doesn't match reality, in light of the open-loop gift cards [debate](#) that arose from the publication of QB 25/07: What is the income tax treatment of gift cards and products provided as trade rebates or promotions? Other items, such as guidance on often misunderstood areas, like how taxpayers can apply the 100% depreciation rate for low value assets under section EE 38, will be more welcome.

### Want to Suggest an Item?

We understand that raising issues for inclusion in the Work Programme can feel daunting—especially if there's concern it might attract unwanted scrutiny. For those who may feel uneasy about contact the TCO direct, Deloitte is always happy to raise issues on behalf of clients. If you have questions or would like to discuss a potential submission, please reach out to your usual Deloitte advisor.

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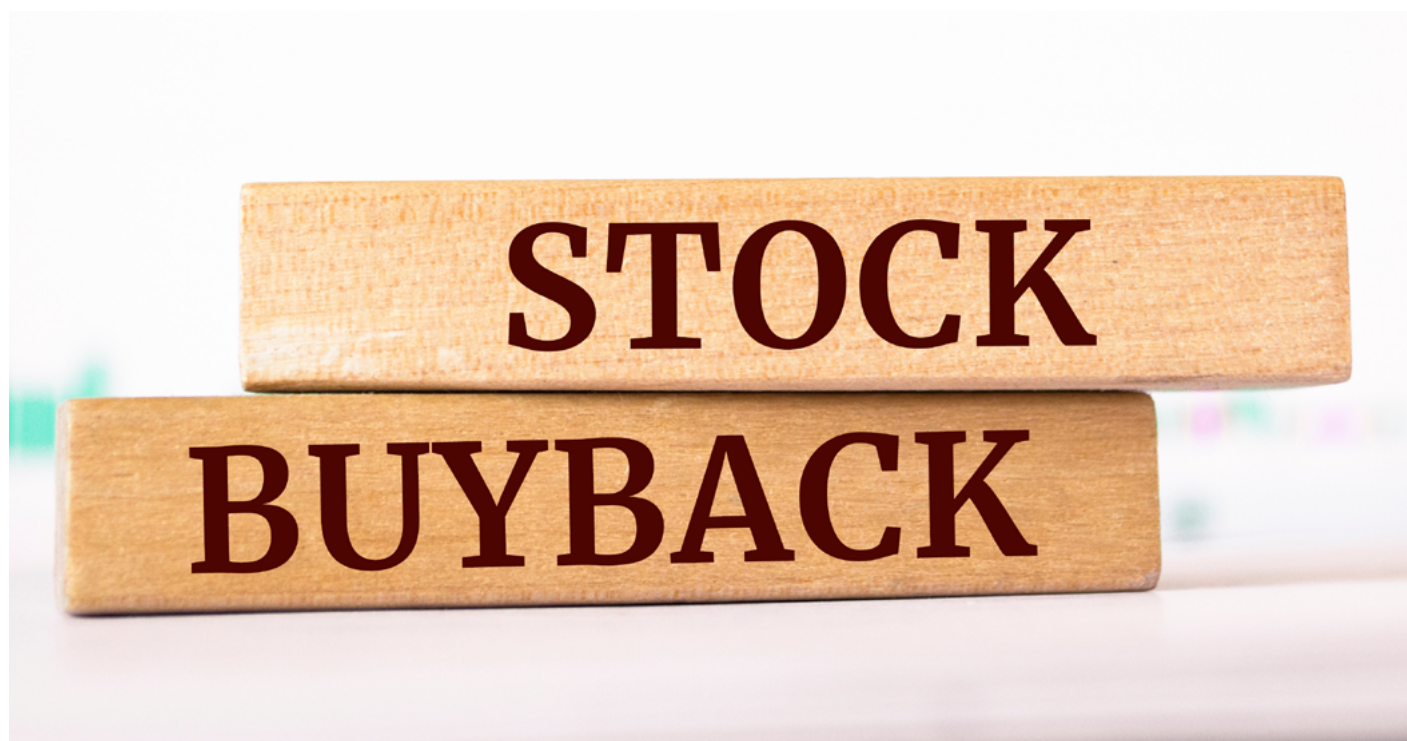
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# Finalised Inland Revenue guidance on share cancellations

## A further chapter in the “dividend integrity” journey

By Campbell Rose, Greg Mitchell and Anna Roche



In September 2025 Inland Revenue published Interpretation Statement 25/19 *Whether an off-market share cancellation is made in lieu of the payment of a dividend* ([IS 25/19](#)), which finalised the draft interpretation statement (IS) issued for public consultation earlier this year and replaces previous guidance from 1999.

As we discussed in our May 2025 [Tax Alert article](#) the draft IS was, generally, welcome updated guidance on whether a share cancellation is in lieu of a dividend. However, it was not without some potential fish-hooks, which were raised with Officials as part of the consultation process. We summarise below how some of those submissions fared.

### Submission areas

Some suggestions raised in submissions included that:

- The IS should establish clearer boundaries as to where Inland Revenue considers there is a risk that the redemption of non-participating redeemable shares (NPRS) is in lieu of a dividend;
- Where part of an amount is treated as in lieu of a dividend, tainting the entire amount paid could capture legitimate returns of available subscribed capital (ASC); equally, the IS should clarify that an actual dividend portion of an overall payout upon share cancellation should not taint the entire amount;
- The scope of the IS should be refined in relation to non-pro-rata buy-backs, including acknowledging the commercial drivers for such buy-backs, appropriately recognising what is an “unusual event”, clarifying the implications of contemporaneously issuing shares to other shareholders, and addressing the position of investment companies; and
- An example in the draft IS (Example 4) should be clarified so that the inability of a company to pay a dividend (e.g., due to annual losses since incorporation) should be a factor that indicates a redemption is not in lieu of a dividend - rather than being only a “neutral” factor as described in the draft IS.



## Updates in the final published IS 25/19

The finalised IS 25/19 included the usual minor 'tidy ups' and clarifications that arise through the consultation process, as well as some notable changes, including:

- A new example (Example 10) that illustrates a scenario when a redemption of NPRS would not be considered in lieu of a dividend. Although example 10 supports the starting point that a redemption of NPRS should only be in lieu of a dividend in extreme cases, in our view more value could have been derived from an example clarifying the limited circumstances in which a redemption of NPRS would be in lieu of a dividend. In particular, IS 25/19 does not reference relevant extrinsic material (published by Inland Revenue in August 1994) confirming that, illustratively, the "in lieu of dividend" test should be triggered in an NPRS context where a company ceases a regular dividend flow to shareholders and ensures those shareholders receive an equivalent amount by redeeming NPRS. The example does, however, demonstrate that a commercial reason for cancelling shares is to facilitate a shareholder exit. It also clarifies that it is not only the first ever share cancellation or redemption that may be considered a "one-off" unusual transaction.
- An additional example supports that issuing shares after a cancellation does not necessarily indicate that the cancellation is in lieu of a dividend; as the cancellation and reissue can have a legitimate commercial rationale without any suggestion that the reissue is to circumvent the bright-line tests.
- Clarifying that a cancellation payment comprising both ASC (capable of being returned tax-free) and an additional (excess) dividend component is not, without a purpose of avoidance, intended to be captured by the 'tainting' which can occur when part of such a payment is "in lieu of" a dividend.
- Updates have been made to what was Example 4 (now 5), to confirm that a company with no retained earnings and ongoing tax losses is not in a dividend-paying position, and therefore the cancellation in the example should not be in lieu of a dividend. This is sensible, as it re-confirms that a company needs to be in a dividend paying position for a share cancellation to be considered in lieu of a dividend.

## Areas not updated in IS 25/19

Inland Revenue did not address all of the key concerns that were raised in submissions.

IS 29/15 does not acknowledge that non pro-rata buy-backs generally should not be considered to be in lieu of a dividend (other than in rare circumstances). This point is of fundamental importance to investment companies, as their business model is often to redeem or cancel the shares of some shareholders while contemporaneously issuing new equity to other shareholders. A clear statement providing guidance in this context would have been a welcome addition to provide certainty; instead it appears that the tax implications will need to be firmly grounded in the commercial drivers specific to the business model and particular redemption(s)/re-issuance(s).

Inland Revenue did not consider there was scope to apply a purposive approach to interpreting the "all or nothing" nature of the tainting language in the in lieu of dividend rule, based on the legislation as drafted and its intended scope. This issue has been referred to policy officials for further consideration.

## Where to from here?

"Dividend avoidance/integrity" is currently, and we expect will continue to be, a key focus area for Inland Revenue. It represents an area of avoidance-related investigation where Inland Revenue's enquiries can be assumed to commence from a sceptical starting point – and potentially in scenarios where the statutory time bar may not apply.

Accordingly, in defending a share cancellation as being genuine, it will be critical to retain objective evidence that compellingly supports the commercial reasons underpinning the cancellation. This needs to then be appropriately weighted with the other statutory factors in section CD 22(7) of the Income Tax Act 2007 to support a position that none of the amount paid is in lieu of a dividend.

As IS 25/19 has been updated to include reference to "inexplicable accumulation of earnings", "examin[ing] the source of (...) funds" for "objective evidence that they represent genuine surplus capital and not simply accumulated profits".

In the context of examples the analysis also uses new terminology of dividends being "effectively deferred", and "utilis[ing] a bank account of accumulated profits".

It is therefore imperative that companies tread carefully in this area, given heightened Inland Revenue scrutiny of the capital/revenue (dividend) boundary. As we noted in our May 2025 article, obtaining appropriate specialist tax advice and achieving valuable certainty through a binding ruling before undertaking a share cancellation, warrant serious consideration.

If you have any questions on IS 25/19 or the tax implications more generally of share cancellations, please contact your usual Deloitte advisor.

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# Red Light, Green light

## Transfer pricing issues for intercompany loans

By Young Jin Kim and Bart de Gouw



It is widely accepted that cross-border related-party debt can be used by multinational enterprises (MNEs) to shift profits out of a country.

In the New Zealand context this led to the introduction of the Restricted Transfer Pricing (RTP) rules and the requirement to disclose inbound cross-border intercompany loans with a value of more than NZD10M to Inland Revenue in the BEPS Disclosure Form (this disclosure requirement has since been amended effective from the 2025 income year with taxpayers just required to [hold a copy](#) of the necessary information).

In recent years, the International Revenue Strategy (IRS) team at Inland Revenue has observed considerable behavioural change by foreign-owned MNEs with the introduction of additional equity and/or reducing related-party debt financing. This behavioural change has been attributed to the introduction of the RTP rules and a greater focus on financing by the Inland Revenue (via targeted campaigns, risk reviews and audits).

The past five years has seen a highly volatile interest rate environment, with historic lows in the Official Cash Rate in the 2020 and 2021 years, a rapid increase in 2022 and 2023, and a declining rate since the middle of 2024. This level of volatility has meant that taxpayers should have been regularly reviewing intercompany financing arrangements to ensure that the behaviour

of the parties to the loans, the terms and conditions of loans, and the interest rate have all remained arm's length. With the increases in the interest rates applying to the most recently filed 2023 and 2024 tax returns coupled with the Inland Revenue stepping up its audit activity more generally, we are expecting intercompany loans and financing to become a key area of focus for Inland Revenue. This is starting to come to fruition with the number of risk reviews and audits focusing on intercompany financing increasing.

## Risk assessment – Are you a green light or red light?

Now is an opportune time for taxpayers to reflect on their intercompany loans and key risk areas that could be challenged by Inland Revenue. To help with this, we have summarised 9 risk factors when it comes to intercompany loans.

1. The loan is over NZD10m at any time during the income year. RTP rules will apply to the loan and an analysis of the rules will be necessary, which can lead to material denial of interest deductibility as the borrowers' credit rating may be adjusted and certain loan terms and conditions disregarded.
2. No documented loan terms. Loan agreements are important – this will be the starting point for any Inland Revenue review. In the absence of a valid agreement, Inland Revenue may seek to imply (unfavourable) terms and any pricing analysis conducted to support the interest rate will not have strong basis.
3. Loan agreements that do not clearly state what the arrangement is and what the key purpose of the funds advanced is.
4. The arrangement is non-commercial or contains 'exotic' features such as subordination, interest deferral of more than 12 months, or has a term of more than five years. Under the RTP rules, certain exotic terms cannot be priced into the interest rate.
5. Using a fixed interest rate for a revolving credit facility loan (that can be drawn down and repaid by the borrower) or a floating interest rate for a fixed term loan (the reset of an interest rate on a fixed term loan is likely a trigger point requiring a retesting of the application of the RTP rules).
6. The loan has been extended, renegotiated, or renewed in the past year. This could make a big difference to the deductible level of interest as the interest rate environments change very quickly and these events also require retesting of the application of the RTP rules.
7. Has the loan been reset at a higher interest rate? Is this what a third-party borrower would do, i.e. is the behaviour of the parties demonstrably arm's length?
8. Does the borrower have a high debt percentage? Greater than 40% is considered high risk for borrowers with a cross border related party borrowing of more than NZD10m. Similarly, borrowing from related parties in low tax jurisdictions (<15% tax rate) is also a risk factor as set out in the RTP rules.
9. Be mindful of interest gross up clauses – any additional interest paid under a gross-up clause also needs to be arm's length.

### Update to Inland Revenue's administrative guidance on small value loans

Inland Revenue annually publishes an administrative guidance for small value loans (i.e., for cross-border associated party loans for up to NZD10M principal). This administrative guidance may be applied to cross-border associated party loans.

Inland Revenue has historically provided an interest rate margin (over a relevant base indicator) that it considers to be broadly indicative of an arm's length rate, in the absence of a readily available market rate for a debt instrument with similar terms and risk characteristics.

The most recent change to the interest margin has also introduced (without explanation or consultation) a change in approach to make the interest rate margin backward looking only and in our view, reduces the practical application of this otherwise widely used administrative guidance. The current interest rate margin in the guidance is 250 basis points over the relevant base rate and applies for the period 1 July 2024 to 30 June 2025. There is now no equivalent guidance for interest rates for the year to 30 June 2026. We will continue to provide updates on any developments on the administrative guidance.

### Next Steps

If any of the above risk factors concern you please contact your usual Deloitte advisor or one of our award winning transfer pricing team to help navigate the issues.

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## 2025 International Tax Review Awards

The International Tax Review (ITR) Asia-Pacific Tax Awards 2025 rankings were recently announced, and, among other awards, Deloitte was recognised by ITR as the **New Zealand Transfer Pricing Firm of the Year** and was also named the **Asia Pacific Transfer Pricing Advisory Firm of the Year**.



# What is actually happening with CbC Reports?

By John Leightley and Bart de Gouw

One of the key goals of the OECD's Base Erosion and Profit Shifting (BEPS) project was establishing greater transparency for all large multinational enterprise groups. The BEPS Action 13 Report established a template for large multinationals to use for annual reporting, including details of the jurisdictions in which they operate, along with a range of financial, tax and business information. The resulting Country-by-Country (CbC) reports are intended to be submitted by the ultimate parent entity, and automatically shared with tax authorities in the jurisdiction where the large multinational operates. It is noteworthy that the use of the CbC reports has recently been expanded to support the Pillar Two regime and provide data from which the safe harbours may be calculated.

Jurisdictions that signed up to the OECD Inclusive Framework are subject to a peer review of their implementation of the legal and administrative framework. The OECD's recently released peer review report (the eighth report) shows that New Zealand is among the 120 jurisdictions that has the required domestic legal framework in place for the CbC reports. New Zealand also meets the other requirements for an exchange of information framework (101 jurisdictions), confidentiality (107 jurisdictions), and has evidence to show that measures are in place to ensure appropriate use of the CbC reports (89 jurisdictions). The peer review is an annual process as new jurisdictions join the Inclusive Framework and jurisdictions look to address outstanding issues. If you are interested to check whether a particular jurisdiction has met the requirements, you can find the OECD report [here](#).

The question has always been what Inland Revenue and other tax authorities do when a multinational's CbC report is provided and information is exchanged. In New Zealand we have not seen specific CbC report issues raised as part of Inland Revenue risk reviews, and historically the receipt of the information from other tax administrations was barely recognised. In recent discussions, Inland Revenue confirmed that it receives approximately 1,500 CbC reports through exchange of information arrangements. These reports end up with the International Revenue Strategy (IRS) team at Inland Revenue and the information is incorporated into its taxpayer risk rating models, helping Inland Revenue to assign a high, medium or low risk rating to the multinational's subsidiaries. These ratings are supplemented by a wide range of other information gathered by the IRS team, including the annual International Questionnaires for taxpayers with over NZD30 million of revenue, information provided through the Basic Compliance Package and financial statements. This is a multiyear and ongoing process, with information across the years building a picture of the base erosion risk to New Zealand tax base.

Inland Revenue continues to [step up its risk review and audit activity](#) (with increased funding provided by the government), and transfer pricing hasn't been left behind. The number of transfer pricing case leads and technical specialists at Inland Revenue has doubled over the past two years, and we expect that the increasingly sophisticated taxpayer risk ratings will facilitate more targeted reviews and audits.

For the large multinational taxpayers, i.e. those impacted by the CbC report requirements, it is also important to remember the special powers that Inland Revenue has been granted to request and obtain information held offshore by the groups, and the deemed Permanent Establishments rules – streamlining some of the challenges that were previously seen when auditing subsidiaries of large multinational taxpayers. Although we have not yet seen significant audit activity in from the increased transparency of the CbC reports, the time may be coming where the effect of the cumulative data from the CbC reports influences risk ratings and audit actions for some of the entities otherwise flying below the radar.

If you have any questions about CbC reporting, BEPS or transfer pricing, please contact your usual Deloitte advisor.

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# Snapshot of recent developments



## Tax legislation and Policy Announcements

### Public Policy Remedials Log (August 2025)

The Public Policy Remedials Log has been [updated](#) for August 2025, noting remedial amendments included in the Taxation (Annual Rates for 2025-26, Compliance Simplification, and Remedial Measures) Bill.

### Memorandum of Arrangement implementing Multilateral Convention Arbitration process under New Zealand/Australia Double Tax Agreement enters into force

On 2 September 2025, Australia and New Zealand [signed](#) a memorandum of arrangement to establish the mode of application of the arbitration process provided for in Part VI (Arbitration) of the OECD Multilateral Convention (2017), under article 25 of the Australia - New Zealand Double Tax Agreement, as modified by article 16 (Mutual Agreement Procedure) and paragraph 10 of article 19 (Mandatory Binding Arbitration) of the Multilateral Convention.

### Information Release: Budget 2025

On 4 September 2025, Treasury [released](#) its Information Release for Budget 2025. Of note is a Tax Policy Report on the [Detailed design of Investment Boost](#).

### Budget 2025 - information release

On 8 September 2025, Inland Revenue [issued](#) its [information release](#) and [further information release](#) for Budget 2025

### Taxation Bill passes First Reading

On 11 September 2025, the [Taxation \(Annual Rates for 2025-26, Compliance Simplification, and Remedial Measures\) Bill](#) passed its First Reading. It has now been referred to the Finance and Expenditure Committee who are accepting submissions until 23 October 2025.

### FamilyBoost Amendment Bill introduced

On 16 September 2025, the Minister of Finance introduced the Income Tax (FamilyBoost) Amendment Bill into the House.

The Bill proposes to increase the level of assistance available through the FamilyBoost scheme by:

- increasing the percentage of early childhood education expenses claimable from 25% to 40%, raising the maximum quarterly tax credit payment from \$975 to \$1,560; and
- reducing the abatement rate from 9.75% to 7%, increasing the quarterly maximum household income cap from \$45,000 to \$57,286 (equivalent to \$180,000 to \$229,144 annual household income).

For more information see:

- [Bill as introduced](#)
- [Bill commentary](#)
- [Regulatory Impact Statement](#)
- [Disclosure Statement](#)

The Bill passed all stages of the legislative process under urgency and received Royal Assent on 23 September 2025.

## Inland Revenue Statements and Guidance

### Product Ruling: PPS Mutual Limited

On 30 June 2025, Inland Revenue [issued](#) BR Prd 25/04: PPS Mutual Limited. The Product Ruling applies to profit share benefit allocations and payments to Members (or Members' estates) under the death benefit, terminal illness benefit and maturity benefit provided for in the PPS Mutual Profit Share Benefit Multiple Life Policy. It applies from 30 June 2025 and expires on 29 June 2028.

### Inland Revenue: Income Tax (Deemed Rate of Return on Attributing Interests in Foreign Investment Funds, 2024-25 Income Year) Order 2025

On 25 August 2025, Inland Revenue [published](#) the Order in Council commentary providing information on a change in the deemed rate of return for taxing interests in Foreign Investment Funds, effective from 1 April 2025. The new rate is 8.04%.

### Inland Revenue: Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations (No 2) 2025

On 25 August 2025, Inland Revenue [published](#) the Order in Council commentary providing information on a decrease to the FBT prescribed rate of interest for low-interest employment-related loans, applying from 1 July 2025. The new rate is 6.67%.



## Inland Revenue: Tax Information Bulletin Vol 37 No 8 September 2025

On 1 September 2025, Inland Revenue [published](#) the September 2025 Tax Information Bulletin:

### Determination

- FDR 2025/05: Determination the fair dividend rate method may not be used to calculate FIF income by investors in the iShares Global Aggregate Bond ESG SRI UCITS ETF – EUR hedged (Accumulating) share class

### Interpretation Statement

- IS 25/18: Income tax – Whether money or property received by New Zealand tax residents from overseas is income from a foreign trust

### QWBA

- QB 25/18: Does GST apply to a deposit the seller retains in a cancelled land sale agreement?
- QB 25/19: GST listed services rules: When is a supply of listed services made through an electronic marketplace?
- QB 25/20: GST listed services rules: How do the rules apply when there is a supply of listed services and other goods or services?

### Technical Decision Summary

- TDS 25/17: Application of schedular payment rules
- TDS 25/18: Sale of intellectual property, shares and ongoing provision of services
- TDS 25/19: Company restructure for commercial and estate planning
- TDS 25/20: Transfer of property between charitable trusts

## Operational position: Commissioner's operational position on the FBT treatment of open loop cards provided by employers to employees

On 8 September 2025, Inland Revenue [published](#) OP 25/02 Commissioner's operational position on the FBT treatment of open loop cards provided by employers to employees. This operational position is in relation to QWBA 25/07 What is the income tax treatment of gift cards and products provided as trade rebates or promotions?

The QWBA stated that the Commissioner of Inland Revenue's view of the correct tax treatment for when an employer provided an open loop card to an employee was that the employer should gross up the face value of the open loop card and return PAYE on that amount. During the consultation it was determined that most employers treated open loop cards as being subject to FBT. As a result, the QWBA stated that the Commissioner would not be applying resources to correct previous tax positions taken in return periods ending on or before the date of the QWBA.

Since the QWBA was published, Parliament has proposed amendments (in the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill) to allow open loop cards to be treated as a fringe benefit. The amendments will be retrospective.

The Commissioner recognises that immediate implementation of the position outlined in the QWBA would be difficult for employers for tax positions taken after the date of issue of the QWBA and before amendment of the law. This is due to required changes to, for example, computer systems, payroll systems and accounting records. The Commissioner also notes that such changes would only be required for a short time given the amendment's retrospective effect.

Therefore, the Commissioner of Inland Revenue will also not apply resources to determining whether an employer taxpayer has applied the position outlined in the QWBA correctly for the PAYE periods that cover 1 April 2025 to 31 March 2026. This position only applies where the employer has returned fringe benefit tax on the provision of open loop cards during this period.

## Inland Revenue: Tax agents survey results - 2024/25 financial year

On 2 September 2025, Inland Revenue [released](#) the results of the tax agents survey results for the 2024/25 financial year.

## Inland Revenue: Bright-line test overview

On 2 September 2025, Inland Revenue [advised](#) there is now an overview of public guidance on the bright-line test on the Inland Revenue Tax Technical website, organised by:

- [General guidance for common situations](#)
- [Exclusions from the bright-line test and rollover relief](#)
- [Transactions involving different types of entities](#)
- [Specific scenarios](#)
- [Technical decision summaries](#)

## Inland Revenue: Interest and RWT disbursement – income equalisation (EQU) periods

On 3 September 2025, Inland Revenue [announced](#) that as part of the reserve scheme upgrade in March 2025, interest on previous withdrawals will be recalculated.

## Inland Revenue: Tax agent annual reviews and account manager service

On 3 September 2025, Inland Revenue [announced](#) it is changing work priorities and adapting the way they engage with tax agents and other intermediaries. This year, the annual reviews for intermediaries will be on hold from September to December, however copies of Authorities to Act may still be requested.

## IS: Student Loans – Overseas borrowers and their obligations

On 15 September 2025, Inland Revenue [published](#) IS 25/20 Student Loans – Overseas borrowers and their obligations. The IS discusses when a student loan borrower will be a NZ-based borrower and when they will be an overseas-based borrower, which will determine whether interest accrues on their loan and will impact their repayment obligations.

## Inland Revenue: Tax fraud adds 9 months to prison time

On 15 September 2025, Inland Revenue [published](#) the details of a Christchurch man who had nine months added to his prison sentence for tax fraud. The charges related to fraudulently obtaining (and attempting to obtain) income tax refunds, student loan payments and Working for Families payments.

### Inland Revenue: Distributing beneficiary income from an Estate or trust return - IR6

On 16 September 2025, Inland Revenue [clarified](#) how to use tax credits, attached to income paid or allocated to a beneficiary, when filing an Estate or trust return – IR6.

### Inland Revenue: 2025 Child support payments - receiving carers

On 18 September 2025, Inland Revenue [updated](#) the dates where those who receive child support will receive payments from Inland Revenue.

### Inland Revenue: Update to the Investment Boost Webpage

On 24 September 2025, Inland Revenue advised that the Investment Boost webpage has been [updated](#) to include examples (particularly around the available for use test).

### Inland Revenue: Pukekohe woman sentenced on tax evasion

On 24 September 2025, Inland Revenue [published](#) the details of a Pukekohe woman who ran a business supplying workers to harvest fruit and vegetables for growers who was sentenced to home detention for tax evasion (aiding and abetting a company evade tax). The woman had evaded \$1.5m in GST, PAYE, and income tax. The offending was repetitive and pre-meditated, with income tax returns not filed for four consecutive years, GST returns either not filed or false returns filed over a three-year period, and PAYE returns not filed over a 40-month period.

### Inland Revenue: Easier process for IRD numbers and tax agent service retiring

On 24 September 2025, Inland Revenue [announced](#) they are making it easier to apply for an individual IRD number. From 6 October 2025 there will be new versions of the IR595 and IR742:

- IR595 IRD number application – currently in New Zealand
- IR742 IRD number application – offshore individual.

These changes are for individual IRD number applications only.

### Inland Revenue: Wind event in western Bay of Plenty

On 26 September 2025, Inland Revenue [asked](#) those affected by the wind event that occurred earlier in September in the western Bay of Plenty to contact Inland Revenue if they require assistance from Inland Revenue in relation to themselves, their family, business or (for tax agents) a client.

### Inland Revenue: Pillar 2 Registration and Filing

On 26 September 2025, Inland Revenue [launched](#) its Pillar 2 Registration webpage with details on registration and filing requirements including:

- When an MNE group must register
- Single registration for each MNE group
- Registration and notification process
- Tax agent linking

Inland Revenue have also [launched](#) its Pillar 2 Filing webpage with details on:

- When to file the 1st year return
- Filing the GIR in another jurisdiction
- Exchanges of the GIR
- Multinational top-up tax return
- Inland Revenue: Probate threshold increase

On 29 September 2025, Inland Revenue [advised](#) that there has been an increase to probate thresholds from \$15,000 to \$40,000 effective from 24 September 2025. Increasing the threshold lets families access assets of less than \$40,000 without going through the High Court process of applying for probate.

## Technical Decision Summaries

### TDS: GST – supply of accommodation (Private Ruling)

On 4 September 2025, Inland Revenue [issued](#) TDS 25/22: GST – supply of accommodation. The Tax Counsel Office confirmed that a planned residential accommodation building with over 100 self-contained rooms and extensive shared facilities (e.g. kitchens, lounges, reception, cleaning, concierge) qualifies as a “commercial dwelling” under the GST Act 1985.

This means the supply of accommodation is not exempt from GST, and the applicant—who is GST-registered and carrying on a taxable activity—is entitled to full input tax deductions for GST incurred during the building's construction and ongoing operation. The ruling emphasised the building's similarity to a boarding house and other commercial accommodation types due to its scale, services, and short-to-medium-term occupancy model.

## Deloitte Global updates

### Deloitte Insights Article

The latest Deloitte Insights article [New rules for trade engagement: Tariff uncertainty puts cross-functional teams to the test](#) looks at how tariffs are no longer just a trade issue. This article is a collaboration across Deloitte Tax, Legal, Consulting, A&A and Global macroeconomic teams. Tariff and trade policy has become a strategic lever impacting tax, legal, risk, supply chain and finance and this article outlines how organisations must respond with a multidisciplinary approach.

## OECD updates

### OECD releases revised BEPS Action 5 Transparency Framework and Exchange on Tax Rulings XML Schema

On 8 September 2025, the OECD [released](#) a set of revisions to the BEPS Action 5 minimum standard on the spontaneous exchange of information on tax rulings (the “transparency framework”).

### Tax Policy reforms: OECD and Selected Partner Economies

On 11 September 2025, the OECD [issued](#) its tenth annual edition of Tax Policy Reforms: OECD and Selected Partner Economies. The latest edition notes Governments have increased tax revenues in 2024 to meet rising spending needs driven by health expenditures and ageing populations.



### Governing with Artificial Intelligence

On 18 September 2025, the OECD [issued](#) a new report, Governing with AI, outlining the key trends and policy challenges in the development, use, and deployment of AI in and by the public sector. The report includes a special section on the use of AI by tax administrations.

### 2025 edition of the Tax Debt Management Maturity Model

The [2025 edition of this Maturity Model](#) aims at supporting tax administrations self-assess their current level of maturity with regards to tax debt management practices. It focusses on the core elements of successful tax debt management to streamline tax administration use and improve existing processes, particularly through internal oversight, digitalisation and exchange with peers.

### Sri Lanka joins Global Forum as 173rd member

On 18 September 2025, the OECD [announced](#) Sri Lanka has become the 173rd member of the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum).

### Albania signs STTR MLI

On 23 September 2025, Albania [signed](#) the Multilateral Convention to Facilitate the Implementation of the Pillar Two Subject to Tax Rule (the STTR MLI), becoming the 10th jurisdiction to join the agreement.

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



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