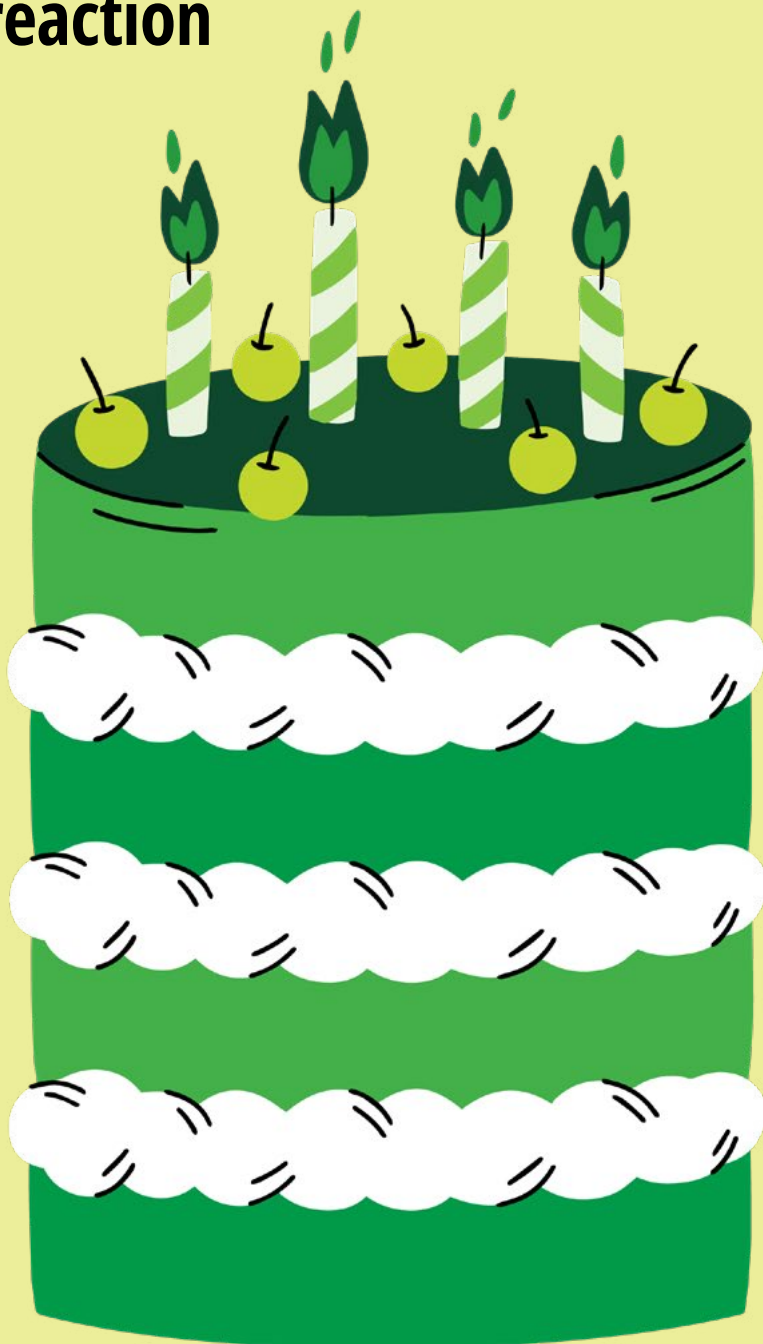


Tax Alert

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GST at 40: policy, politics, and public reaction

By Jack Becker & Allan Bullock

By the early 1980s, the tax burden for most New Zealanders had shifted heavily towards personal income tax with inflation pushing many middle-income earners into higher marginal tax rates - with the top bracket reaching 66%.

As there was also no dividend imputation scheme in place, company profits paid out to individuals could be subject to even higher rates. Concessions, incentives, and loopholes made the tax burden uneven across taxpayers which resulted in policymakers favouring a move from a narrow-based, high-rate system toward a broad-based, lower-rate system.

GST was introduced as a way to broaden the tax base by taxing consumption, rather than relying as heavily on income. Its broad base allowed revenue to be raised at a relatively low initial rate of 10%.

In order to only tax the consumption of goods and services, an input tax mechanism was used.

The broad base with a few exemptions (such as financial services and residential rental accommodation) was intentional to minimise the extent to which GST influenced consumer and business decisions.



The GST surprise

The Fourth Labour Government had inherited a significant deficit, overseas debt, an overvalued currency, and high inflation when it was elected in 1984. GST was one part of the Government's wider economic reforms, sitting alongside deregulation, removal of subsidies and tax concessions.

After an election campaign that did not prominently mention the potential introduction of GST, GST was announced on 8 November 1984 and the GST Bill was introduced on 22 August 1985 and passed into law on 3 December 1985. The original proposal was for GST to commence on 1 April 1986, however it was ultimately deferred until 1 October 1986.

Consumers faced an obvious concern: GST added 10% to most goods and services, with some recollections of the time describing a mad rush to purchase certain expensive items before GST commenced, followed by a short-term drop in spending. GST replaced the existing wholesale sales tax regime that applied, so while the price of most goods increased post the introduction of GST, some goods actually decreased in price. GST has maintained its surprise factor over the years, with the GST rate increase to 12.5% in 1989 not being part of the Labour Party's manifesto and again in 2010 when John Key had not campaigned on a hike to 15% in the 2008 election process.

Taxing the poor?

Critics often view GST as regressive because lower-income households spend more of their income on consumption and there have been countless debates over exempting necessities, particularly food, which have continued long after GST's introduction. The counterargument was that wealthy people spend more money in total therefore pay more GST in gross terms.

When GST was introduced, social benefits were also increased to compensate and the same happened again in 2010.

A business burden

Businesses became responsible for collecting and paying GST to Inland Revenue, in addition to the significant transitional work required by businesses to implement GST. Businesses needed to change their pricing and there were increased compliance costs as accounting systems, invoicing, and record-keeping all had to be changed.

A revenue boost

GST gave the Government a broad and stable source of revenue, with the Government earning \$1.5 billion in GST's first financial year (1987). There has been a steady increase in revenue every year since, with GST reaching \$29.3 billion last year. GST supported a reduction in reliance on revenue from personal income tax and provided scope to reduce income tax rates. The broad coverage of GST with minimal exemptions helped reduce opportunities to avoid tax by choosing one type of consumption over another.

GST's central design has survived 40 years: generally one standard rate (currently 15%), broad coverage, and relatively few exemptions. GST stands out as being an established core part of the New Zealand tax mix and is the envy of many other countries whose own consumption taxes are often riddled with political concessions, which add significant complexity while also reducing the revenue-raising efficiency of the tax. New Zealand's GST is ranked Number 1 in the world in the [Tax Foundation International Tax Competitiveness Index](#).

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GST at 40: The same tax, but a very different world.

By Manav Sharma & Allan Bullo

New Zealand GST may have reached its 40th birthday, but it has not passed those four decades without changing and evolving into the tax we know (and love) today.



The underlying principle remains remarkably familiar. At its inception, our version of GST was designed as a broad-based tax on consumption in New Zealand, collected through businesses and ultimately borne by the final consumer. However, since its introduction GST has had to adapt to changing business practices, technology and global trade. Some of these changes have been highly visible. Others have more subtly reshaped how businesses determine their GST positions and the information they need to retain to support them.

From 10% to 15% (1989 and 2010)

GST came into force on 1 October 1986 at a rate of 10%. It was introduced as part of a much wider reform of New Zealand's tax system and replaced a wholesale sales tax. The rate then increased to 12.5% in 1989 and then to the current rate of 15% on 1 October 2010.

Although changing the percentage sounds straightforward, each increase required businesses to update accounting systems, pricing, contracts and documentation. The 2010 increase also created practical questions around supplies spanning the changeover date, deposits, lay-by sales, credit and debit notes, and long-term contracts.

What has not changed is New Zealand's broad commitment to a single standard rate and relatively few exemptions.

This distinguishes our GST from many overseas VAT and GST regimes, that apply multiple or reduced rates to particular goods and services. By maintaining a broad base, New Zealand has generally avoided many of the classification and [boundary issues](#) that arise when similar supplies are taxed differently.

Bringing financial services further into the GST system (2005)

Financial services have traditionally been exempt from GST. This means that GST is not charged on the supply, and the supplier generally cannot recover GST incurred on costs relating to that supply. For banks, life insurers, fund managers and other financial service providers, this made GST a real business cost, rather than a tax collected on behalf of the government and ultimately borne by the consumer.

A significant change took effect on 1 January 2005, when financial service providers were permitted to zero-rate certain financial services supplied to qualifying GST-registered customers. Unlike exempt financial services, zero-rated financial services carry a 0% GST rate while still allowing the provider to recover GST incurred on costs associated with making those supplies. This reduced the extent to which GST represented an irrecoverable business cost for financial service providers, which was creating "tax cascades" for end consumers.

The reform brought part of the financial services sector more fully within the GST system, but it also introduced a new layer of complexity. To determine whether financial services can be zero-rated under the rules, providers must identify eligible customers and qualifying supplies, retain appropriate supporting evidence, and develop suitable GST recovery methodologies.

The distinction between an exempt financial service and a zero-rated business-to-business financial service therefore remains commercially significant today, and an area of confusion and complexity.

The reverse charge arrives (2005)

The same package of reforms introducing the zero-rating of financial services also introduced a reverse charge for certain imported services.

Under the GST reverse charge rules, a GST-registered New Zealand recipient may be required to account for GST on services acquired from an offshore supplier where those services would have been taxable if supplied in New Zealand and the recipient makes more than a minimal level of exempt or other non-taxable supplies. When the rules were introduced, relevant examples included management, legal and accounting services, software installation services, and products downloaded via the internet.

The reverse charge rules were introduced to create greater neutrality between services acquired from offshore suppliers and those acquired from New Zealand suppliers that charge GST. They are especially important for financial service providers and other partly exempt businesses, as those businesses may not be entitled to recover the resulting GST in full and were otherwise incentivised to get services from offshore.

Although the reverse charge predates today's digital economy and the introduction of the remote services rules, it represented an early recognition that New Zealand's consumption tax could no longer focus solely on transactions involving local suppliers.

Compulsory zero-rating changes the property landscape (2011)

Land transactions can involve some of the largest amounts of GST and pose some of the most significant risks to the tax base. In certain circumstances, Inland Revenue was required to refund GST to a purchaser even where the vendor had failed to return the corresponding output tax. This was creating a significant fiscal cost to the Government due to "phoenix fraud" in large property developments.

To address this risk, reforms to the GST Act took effect on 1 April 2011, introducing compulsory zero-rating for qualifying supplies of land between GST-registered persons.

Broadly, a transaction must be zero-rated where the purchaser uses the land to make taxable supplies and does not intend to use it as a principal place of residence for themselves or a blood relative.

The change reduced the funding and fraud risks associated with large GST payments and refunds. It also placed greater importance on confirming the parties' GST registration status and intentions at the time of settlement.

The practical consequences for businesses can be substantial. An incorrect assumption about a purchaser's GST registration status or intended use of the land may determine whether a transaction is zero-rated or subject to GST at 15%.

Forty years into the regime, sale and purchase agreements involving land remain an area where a small number of words can have a significant GST outcome.

GST crosses the digital border

The original GST system was designed for a locally based economy. The growth of streaming services, software subscriptions, digital platforms and direct-to-consumer online sales challenged that traditional framework by enabling offshore suppliers to serve New Zealand customers without a physical presence in the country.

Remote Services (2016)

From 1 October 2016, non-resident suppliers of remote services and intangibles to New Zealand-resident consumers were required to register for and return GST where the \$60,000 registration threshold was exceeded. The rules brought digital products, such as e-books, music, software subscriptions and other non-digital remote services within the GST framework.

The rules are principally directed at business-to-consumer supplies. Supplies to New Zealand GST-registered businesses are generally outside their scope, reflecting the expectation that GST incurred by businesses making taxable supplies would ordinarily be recoverable. This distinction requires offshore suppliers to determine whether a New Zealand customer is acquiring the service in a private capacity or as part of a GST-registered business.

Low-value goods (2019)

The offshore supplier rules expanded again from 1 December 2019 to cover low-value imported goods sold to New Zealand consumers. Under these rules, overseas merchants, operators of online marketplaces and redeliverers may be required to register for and return GST where their relevant supplies to New Zealand consumers meet the \$60,000 registration threshold. GST is generally collected at the point of sale on physical goods with an individual customs value of \$1,000 or less, rather than when the goods cross the border.

As with the remote services rules, the regime is principally directed at business-to-consumer transactions.

Supplies to New Zealand GST-registered businesses acquiring the goods for business use are generally excluded. Goods valued above \$1,000 generally remain subject to GST and any applicable duties and levies collected at the border.

The change reduced the potential GST advantage previously enjoyed by offshore sellers whose goods could reach New Zealand consumers without GST being collected. It also marked a further shift in responsibility for administering New Zealand GST, requiring offshore businesses and digital platforms to identify New Zealand consumers, determine the value of the goods supplied, and collect and return GST despite having no physical presence in New Zealand.

Listed services rules (2024)

A further expansion took effect on 1 April 2024, applying to listed services supplied through online marketplaces. These services include ride-sharing and ride-hailing, food and beverage delivery, and short-stay or visitor accommodation. Under the rules, a qualifying online marketplace is treated as the supplier and must collect and return GST at 15% when the service is performed, provided or received in New Zealand. This applies regardless of whether the underlying seller is registered for GST.

For non-GST-registered sellers, the rules also include a flat-rate credit scheme. The marketplace collects and returns GST at the standard rate but must generally pass an 8.5% flat-rate credit to the seller, recognising the average GST costs that the seller might otherwise have recovered if GST-registered. The reform therefore extends GST collection across the platform economy while placing much of the compliance responsibility on the marketplace rather than individual drivers, deliverers or accommodation providers.

Collectively, these changes reflect a significant shift in how GST operates and is administered as the digital economy continues to grow. A tax once collected primarily from domestic businesses at physical points in the supply chain is now also collected by offshore suppliers and digital platforms, based on information about customers, sellers and where consumption occurs.

Non-resident businesses with no physical presence in New Zealand may therefore be required to register for GST and meet ongoing collection, filing and payment obligations.

As cross-border commerce continues to evolve, compliance by offshore suppliers is likely to remain an important focus for Inland Revenue. The challenge is no longer simply ensuring that the GST rules capture new forms of supply but also ensuring that non-resident suppliers understand and comply with their New Zealand GST obligations.

Goodbye tax invoices, hello taxable supply information (2023)

For many businesses, the tax invoice was historically the most recognisable evidence of GST compliance. That changed on 1 April 2023, when the prescribed tax invoice framework was replaced with more flexible taxable supply information requirements.

The reform did not change what constitutes a taxable supply or how GST is calculated. Instead, it changed the information that suppliers and customers must provide and retain. Required information can now be held across invoices, accounting systems, bank statements, purchase orders, contracts and other records, rather than necessarily appearing in a single prescribed document.

Businesses can also continue to use the words "tax invoice" on their documents.

The reform recognises that modern transaction information is increasingly recorded and exchanged electronically. It also provides a more flexible foundation for e-Invoicing, through which invoice information can pass directly between buyers' and suppliers' financial systems using the Peppol network. Although e-Invoicing is not itself a requirement under the GST Act and Inland Revenue does not receive the invoice information exchanged through the network, its use is expected to become increasingly significant as adoption expands.

That expansion is already under way in the public sector. Since 1 January 2026, government agencies meeting the relevant invoice-volume thresholds have been required to be capable of sending and receiving e-Invoices. From 1 January 2027, those agencies must also require large suppliers, broadly those with annual revenue exceeding \$33 million in each of the two preceding accounting periods, to submit e-Invoices.

These are government procurement requirements rather than amendments to the GST Act, but they are likely to influence businesses' invoicing systems, processes and controls more broadly.

Greater flexibility and automation do not, however, make supporting evidence optional. Businesses must still retain records that, taken together, contain the required taxable supply information and support the GST treatment adopted. As e-Invoicing becomes more common, businesses will also need to ensure that their finance systems preserve the required GST information and apply the correct tax treatment consistently, rather than assuming that an automated invoice is necessarily GST-compliant.

Four decades of adaptation

The GST Act retains the core architecture established in the 1980s, but has expanded to address financial services, land transactions, imported and remote services, low-value goods, digital platforms, apportionment and electronic record-keeping.

The story of GST's first 40 years is therefore not simply that the rate increased from 10% to 12.5% to 15%, but that the regime has repeatedly adapted while retaining its broad-base, single-rate design. That evolution is continuing, with Inland Revenue considering issues such as cross-border supplies, error correction, GST grouping, and accommodation.

At 40, GST remains recognisably the tax introduced in 1986. However, the economy around it, and the legislation and administration required to keep pace, look very different.

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GST at 40: The case for keeping it simple

By Hana Straight & Allan Bullott

Forty years after its introduction, GST remains one of the largest and most reliable sources of government revenue.

While the legislation has evolved to accommodate financial services, land transactions, digital platforms and cross-border trade, the core design adopted in 1986 remains largely intact. The fact that New Zealand has largely avoided disputes seen in other countries over whether bread is bread or yoghurt is yoghurt may be one of the clearest signs that the system's original design continues to work. What is bread, and why would GST care? Is a receipt worth gambling with? Should lower income mean lower GST? These questions are part of the reality of some overseas consumption taxes (VAT or GST, depending on the country). By comparison, New Zealand's GST system is notably straightforward compared with its quirrier overseas GST and VAT cousins. Our GST applies broadly, with very few exemptions, and has largely avoided the wider political influences and boundary disputes that have complicated other countries' systems.

Many countries add complexity by applying different GST rates to different product categories or providing exemptions to some product categories for political, economic or social reasons, i.e. to encourage the purchase of "healthier" items or make essentials cheaper. Determining which category a product falls into then becomes an exercise in testing boundaries, with businesses arguing for the most favourable treatment and tax administrations looking to apply the highest rates possible. This has created the strange world of GST case law that provides unusual outcomes that are interesting even to those non-GST enthusiasts amongst us.



When bread is not bread (Ireland)

In Ireland, 'staple foods', including bread, are zero-rated for VAT. What makes bread "bread" sounds like a simple thing, especially when you're thinking about what a sandwich is made of. However, in Ireland it was determined that Subway's bread contained too much sugar to be considered bread for VAT purposes and was therefore, more akin to "fancy baked goods" which did not attract the lower VAT status.

Why did the chicken cross the border (United Kingdom, Australia)

What should be simple is, of course, anything but simple under the UK VAT system. There are four classifications for taxing chicken. Live chickens are zero-rated, as are cold cooked chicken sold as takeaway food. Hot (i.e. rotisserie) chicken is standard-rated, even if it is intended to be eaten cold later, and cooked chicken (hot or cold) served in a café or restaurant is also standard-rated.

Strangely, this is also an issue in the Australian GST system. Live chickens and cooked hot chicken are subject to GST at the standard rate, while raw chicken and cooked cold chicken is generally GST-free.

Flippin' yoghurt (Australia)

A case closer to home considered the treatment of a flip strawberry shortcake yoghurt (where you 'flip' one side of the package containing biscuit pieces and chocolate chips into the yoghurt before eating it). Yoghurt in Australia is GST-free, while biscuits are subject to GST. The business treated the product as a single supply of yoghurt. However, the ATO and the Administrative Appeals Tribunal disagreed, finding that it was a combination food and that GST was payable on the whole product at the standard rate.

Encouraging compliance

Prior to the move from tax invoices to taxable supply information, tax invoices could be referred to as “cheques from the government” – if you were GST registered and held a tax invoice, you would receive money from Inland Revenue.

The tax invoice lottery (Taiwan)

In 1951 the Taiwanese government faced a problem with unreported cash sales, and therefore missing out on tax revenue. In a unique move it turned tax invoices into lottery tickets. Every invoice, which customers started demanding from sellers, displayed eight random numbers. These numbers could then be entered into regular draws. Sales tax revenue increased by 75%. This lottery continues today with a current top prize of NZD \$555,100 every two months.

Offsetting the impact of GST

GST is generally considered regressive when measured against income because lower-income households spend a greater proportion of their earnings on consumption than higher-income households. In New Zealand, there is no direct compensation or reduction in GST to lower income households, although they may receive indirect compensation through the social benefit system (when the GST rate last increased, so did benefits).

Similar but different (Singapore)

Singapore introduced GST in 1993, based partially on New Zealand's broad-based single rate model with few exemptions. However, unlike New Zealand, Singapore operates a GST voucher scheme under which lower- and middle-income households receive GST relief, including annual cash payments, to reduce the regressive nature of the tax. When Singapore last increased its GST rate between 2023 and 2024 (to help fund increased healthcare and aged care) it also introduced a SGD\$6.6 billion support package to offset the GST cost to Singaporean households.

Multiple issues

The price is right? (Canada)

Advertised prices globally generally include consumption taxes. However, Canada took a different approach by making prices GST-exclusive, partly because each province has individual sale taxes, as well as a desire for the tax amount not to be ‘hidden’ within the price. Common exceptions include petrol, for which posted prices include sales and excise taxes, and sales through coin-operated machines.

Complications (Brazil)

Brazil is widely regarded as having one of the most complicated indirect tax system in the world. Multiple different consumption-style taxes apply at the federal, state and municipal levels, each with its own rate and reporting requirements. This creates major headaches as a single transaction can trigger multiple taxes to be returned in multiple places. Reform is underway to try to simplify the current system.

Final thoughts

While it is entertaining to consider the various quirks that exist in other jurisdictions, they highlight the greatest strength of New Zealand's GST system: its simplicity. A broad base and a largely uniform rate leave little scope for disputes over whether something is truly bread, how yoghurt is packaged or how chicken is served.

This simplicity provides practical benefits. Businesses face lower compliance costs, consumers have greater certainty, and Inland Revenue does not need to devote as many resources to classification disputes. It also reduces the opportunity for lobbyists to influence how the GST system develops.

The lack of excitement surrounding GST in New Zealand is one of the reasons it continues to be regarded as the most efficient consumption tax globally.

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GST at 40: What does the future hold?

By Allan Bullock

Evolution, rather than revolution, is likely to define the next chapter of New Zealand GST.

A durable part of the tax mix

Over the past 40 years, New Zealand's GST has evolved but the underlying concepts from day one has endured. Our GST system has remained broad-based, generally applying at a single rate with few exceptions. This has allowed it to keep its simplicity, avoid many issues seen in overseas jurisdictions, and remain a critical part of New Zealand's tax mix.

Looking ahead, one point seems clear: the future for GST in New Zealand is likely to involve evolution, rather than revolution or extinction. It is extremely unlikely that New Zealand's tax system, at least over the next 50 years, will cease to include GST as a significant source of government revenue.

As the economy changes, aspects of the GST system will inevitably need to be adjusted. Those adjustments, however, are more likely to refine the existing framework than fundamentally remake it.

The prospect of another rate increase

At a personal level, I consider another significant increase in the GST rate relatively unlikely. The political pressure against such an increase would make it difficult to secure the broad social acceptance required for the change to be implemented efficiently and effectively.

Keeping our broad base

Like the likelihood of a significant increase in the rate of GST, it is unlikely that New Zealand will move away from a broad-based approach. Whether GST should be applied to food generally, or to specific types of food, have been raised on a semi-regular basis by various political parties.

However, as seen from overseas experiences, this often creates tension around the boundaries and doesn't benefit anyone but tax advisors and lawyers.

Keeping our broad base should remain an important consideration, with the continuation of government spending of the revenue going toward lower income earners (for example, benefit payments favour in GST).

What is GST's job?

It is important to remember the job we are asking GST to do, and to be careful about mixing that job with social policy objectives, such as changing people's behaviour. GST's primary role is to collect, as efficiently as possible, a significant amount of revenue based on private consumption in New Zealand. Although there are problems at the edges, by and large GST performs that role very well. When other countries have tried to get their GST systems to also perform more social roles, there have been unintended consequences, additional complexity and boundary issues.

Tax debt and the effectiveness of GST

It would be remiss, however, not to comment on the rising level of tax debt in New Zealand, particularly in relation to GST and PAYE. Changes are needed to ensure that this debt is reduced rather than allowed to continue growing.

Businesses will always move through different stages of their life cycles, and some business failures are inevitable. But if the Government becomes the "first bank of last resort" through the GST that businesses collect on behalf of Inland Revenue, there is a problem that needs to be addressed. We cannot allow the tax system to create "zombie companies" that cause damage to the wider economy. If GST is to be regarded as working effectively, collection matters as much as the law itself and there needs to be a focus on early intervention as soon as there are late returns or missing payments.

A more practical approach to apportionment

One area of the GST legislation that could benefit from further attention is apportionment. Apportionment can generate wonderfully interesting technical discussions for those of us who love GST. It can also cause substantive confusion and friction for people operating in the real world.

While simplicity has been an underlying fundamental concept of the GST Act, apportionment is one area where we are moving away into a more complex and complicated world. There is a risk that, in attempting to become overly precise, New Zealand's GST apportionment rules have lost an element of practicality and simplicity. It will always be difficult to design a single set of apportionment rules that works equally well for very large financial institutions and micro-businesses. However, a more principled, rather than more scheduled, approach may produce a better and more workable solution.

Making self-correction easier

Another area requiring attention is the process by which taxpayers correct their own errors. Although there are some potentially positive moves in the current Bill, they may not go far enough. The legislation should make it simple and straightforward for taxpayers to correct a genuine mistake.

There is questionable value in requiring taxpayers who have made an innocent mistake, and are trying to correct it, to complete a reasonably detailed process and provide significant information for Inland Revenue to review. Often, the taxpayer simply wants to correct a prior-period error in a current period and move forward.

Greater flexibility to make current-period adjustments for innocent and reasonable prior-period errors would be positive.



This may still require taxpayers to notify Inland Revenue that an adjustment has been made, perhaps by a tick box on the GST return. Inland Revenue could then review the adjustment where appropriate. The review process, however, should be risk-based rather than applied as a matter of course. This will become increasingly important given the potential growth in the volume of correspondence Inland Revenue may receive in an AI-enabled era. The question should be asked: where is Inland Revenue best to spend their limited resources from a NZ Inc perspective?

A tax with a long future

Overall, GST has been a positive addition to the New Zealand tax mix. Internationally, it is also interesting that a number of countries continue to examine their tax mix and consider whether GST-type systems should be introduced or enhanced to improve economic outcomes.

GST has now celebrated its 40th anniversary. It is entirely possible that it will also celebrate its 80th birthday in New Zealand.

Overall thought

Forty years after its introduction, GST remains one of the largest and most reliable sources of revenue, making up approximately 25% of the Government's tax revenue. While there has been a need for GST to evolve for a changing world, the core principles remain sound, allowing New Zealand to avoid many complex discussions around what sits on the borders of GST.

Looking to the next forty years, GST will continue to evolve to factor in new ways of doing business, hopefully with a rewritten GST Act.

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GST at 40: Simple by design, complex in practice



Sam Hornbrook
Director, Auckland

Length of time working with GST/

jurisdictions: I started out in VAT in the UK before moving to New Zealand in 2012. I have now been doing it for 19 years, with 20 getting close!

Specialty areas/What you do: I work on complex GST (and FBT) issues, particularly for investment funds, insurance, retirement villages, aged care and infrastructure projects. I also carry out GST/FTB reviews and am interested in practical uses of AI, both in our own work and in clients' GST and FBT processes.

Misconception of GST that comes up

the most: That GST in New Zealand is simple because it has a broad base. It is a transaction-based tax, so it cuts across almost every industry and applies to many different types of supply, each with its own issues. Answering a GST question often means first understanding the industry, the legal arrangements and what is actually happening in practice. That is also why I still enjoy it. There is always something new to get curious about.

Favourite section or IR publication or

case: Section 6 and the meaning of "taxable activity". It is always good for a debate when teaching new members of the team the core GST concepts, and is a quick way to show them that GST is an interesting tax. Inland Revenue's interpretation statement on taxable activity runs to 40 pages and still does not cover lots of edge cases.

That is just to work out whether someone is carrying on a taxable activity (before you even get into how the GST rules apply). My favourite used to be section 8 (the main charging provision) but so much has been added to it over the years that it is now incredibly long and shows how GST is no longer straightforward.



Robyn Walker
Partner, Wellington

Length of time working with GST/

jurisdictions: I started working as a GST specialist in 2001. I decided to broaden my horizons to other taxes after a few years, but in my role at Deloitte I've remained connected to GST as I've been responsible for responding to Inland Revenue interpretative guidance and policy proposals on GST.

Specialty Areas/What you do:

My speciality is tax policy, but I am also responsible for GST questions in our Wellington office, working with the amazing Hana Straight.

Misconception of GST that comes up the most:

It's simple. Ok, in many cases it is, but in any edge case it's actually complicated which is compounded by the fact that the GST Act has had 40 years of amendments tacked on that it is now incredibly difficult to navigate. It is due for a makeover.

Favourite section or IR publication or case:

Section 8. The section is terrible to read, but at its core it's trying to ensure that GST is only imposed in situations where it makes sense and carves out some transactions where there is no net revenue gain for the Crown. This saves a lot of compliance costs, particularly when a non-resident is trading with New Zealand businesses.

Most confusing section/rule:

Section 20 because it contains multiple provisos, meaning the subsection numbering makes no sense.

Future of GST:

GST is going to continue to be number two in terms of revenue generators for New Zealand. It will continue to be an efficient revenue raiser.

Should the GST Act be rewritten?

I am the leader of Team Rewrite.



Sarah Kennedy
Director, Christchurch (but
covering the South Island)

Length of time working with GST/

jurisdictions: 2026 is a dual celebration year for me. GST is celebrating its 40th birthday and I'm celebrating my 21st year working in GST. One of us is officially middle-aged and the other is just reaching adulthood. I'll let you decide which is which.

Specialty Areas/What you do: Non-profit bodies, religious organisations and retirement villages are always interesting. Beyond that, my idea of a good time is untangling a GST fact pattern that makes everyone else quietly leave the room.

Misconception of GST that comes up the most: "It's just 15%, isn't it?" "I just have a quick GST question for you." Two statements that have never once been followed by a quick conversation.

Favourite section or IR publication:

s11(3C) and s20(3K), as I was involved in, or the reason for, their development. One of them caused the first GST tears of my career, but like many things worth doing, it was worth the effort in the end.

Most confusing section/rule:

Apportionment and change-in-use are perennial contenders. But my real bugbears are GST definitions that bear little resemblance to ordinary English. A gift with conditions can still be an "unconditional gift", and a "commercial dwelling" isn't part of the "dwelling" definition. If it feels like your GST advisor isn't speaking English, it's probably because the GST Act isn't either.

Future of GST: I hope New Zealand can preserve the broad-base, single-rate approach that makes our GST system so effective. It's one of our greatest strengths. There's still room for simplification though, and if that saves me time and my clients fees, I'm all for it.

Should the GST Act be rewritten? Yes. If Team Rewrite can save future generations from s20(3)(c)(ii)(B)-style references, I consider that a worthwhile legacy. I'd also like a quiet word about the dwelling definition.

I'd also like to submit the dwelling definition as Exhibit A for why Team Rewrite exists.



Jeanne du Buisson
Partner, Auckland

Length of time working with GST/

jurisdictions: More than 30 years working in indirect tax (VAT and GST), primarily across South Africa (11 years) and New Zealand (19 years).

Specialty areas/What you do: GST, VAT and Customs, with a particular focus on financial services, tax governance, cross-border transactions, complex restructures and using technology to make GST compliance simpler and more effective.

Misconception of GST that comes up the most: That all the GST rules are in the GST Act... and that GST is simple because it is a transaction tax with a broad base. The basic framework may appear straightforward, but small differences in the facts can completely change the GST outcome.

Favourite section or Inland Revenue

publication or case: Inland Revenue's financial services guidance, given how often it intersects with complex business models.

Most confusing section/rule: The financial services rules, particularly when combined with apportionment and the term "fair and reasonable".

Future of GST: Greater use of technology and artificial intelligence to automate compliance, improve the quality of data and identify risk earlier. Could we see AI data matching by IR? However, experienced judgement will remain essential as business models and transactions become more complex.

Should the GST Act be rewritten? Yes.



Allan Bullock
Partner, Auckland

Length of time working with GST/

jurisdictions: Full time GST since 1996 in both NZ and Canada.

Specialty Areas/What you do: Everything GST – lots of time in Financial Services, Tourism, Telecommunications, and Property over the years.

Misconception of GST that comes up the most: “It is only 15% isn't it, how hard can it be?”.

Favourite section or IR publication or case: “How can I choose a favourite child... I love it all”.

Most confusing section/rule: The apportionment rules.

Future of GST: “So bright it has to wear shades” – GST will be a fundamental part of the New Zealand tax system for decades to come and is likely to have continued evolution, rather than any major revolutions.

Should the GST Act be rewritten? I'm in team “Maybe” depending on what else that means we don't get, it is always a case of managing limited resources.



Andrea Scatchard
Partner, Tauranga

Length of time working with GST/

jurisdictions: Been specialising in GST for 25 years in NZ.

Specialty Areas/What you do: It all! A lot of property transactions – is it or isn't it zero-rated? The zero-rating rules came in 15 years ago, and were meant to simplify the GST treatment of property sales, but in my experience the rules are still often misunderstood and not always dealt with correctly in sale and purchase agreements.

Most confusing section/rule: Anything to do with financial services and businesses carrying on a mix of taxable and exempt supplies (whether those are financial services or GST-exempt accommodation).

Should the GST Act be rewritten? Yes.

Election tax policies, part four

By Robyn Walker

With the 2026 Election drawing nearer, the flood of new campaign policies is starting to slow. In the final part of our series on election tax policies, we summarise the latest announcements and provide an overall summary of the tax proposals most likely to affect businesses if implemented.

With left-leaning parties getting out early with the most substantial proposals to introduce new taxes (refer to [Part One](#) for the Green Party and The Opportunity Party, [Part Two](#) for the Labour Party, and [Part Three](#) for Te Pāti Māori), this article focuses on the parties making up the current coalition government. These parties are not proposing new taxes, but nevertheless are offering some tax proposals.

The National Party

“No new taxes” is one of the National Party’s main campaign pledges, with the focus being on financial discipline to deliver the services that New Zealand needs and repay debt, rather than seeking new sources of revenue. While there are no new taxes proposed, there is also no tax relief on the cards until the government books are back in surplus. The National Party fiscal plan effectively acknowledges that fiscal drag will be part of the way surpluses are achieved.

From a business perspective, the National Party has proposed a comprehensive 47-point plan to support small businesses, some aspects of which will have an equal impact on large businesses. Tax reform is not part of this plan, but it does propose a review of whether the current \$60,000 GST registration threshold is still fit for purpose. The plan also commits to retaining Investment Boost, allowing businesses to continue claiming an upfront 20% deduction for the cost of new assets.



Both the Labour Party and the Green Party have committed to repealing Investment Boost to fund other priorities.

While not strictly a tax issue, the National Party proposes increases to KiwiSaver contribution rates. Current employee and employer contribution rates will increase by 0.5% per year until they reach 6% each in 2032. Other proposals include making KiwiSaver compulsory for all workers from July 2028 and making employer contributions for employees aged over 65 compulsory from July 2027. Self-employed individuals would need to make contributions from July 2028.

While not technically part of the National Party election policies, in the current term the government has been focused on tax reform to attract and retain talent, support small businesses, simplifying the tax system and improving social policy. The Minister of Revenue, Hon Simon Watts has just released the [government tax and social policy](#) work programme for the coming year, which shows the work stream priorities (subject of course to the outcome of the election).

ACT Party

In prior elections, the ACT Party could be relied on to propose lower tax rates, but that is not the case in this election. The focus is on reducing spending and the size of government to create the conditions in which tax reform is possible. However, there are still some tax proposals on the table that will appeal to different constituents.

KiwiSaver

Rather than proposing changes to what goes into KiwiSaver accounts, the ACT Party is campaigning to change the taxation of investments once they are in KiwiSaver or a non-KiwiSaver superannuation scheme. Retirement savings can be broken into three components: money going in, investment earnings and money going out.

New Zealand currently taxes money going in, taxes investment earnings and exempts money returned to the saver at retirement. Most other OECD countries have more concessionary regimes, allowing pre-tax income to go in, exempting investment earnings from tax, but taxing the end result when savings are withdrawn.

These two systems are known as TTE and EET respectively, or Taxed-Taxed-Exempt and Exempt-Exempt-Taxed. The ACT Party is proposing that New Zealand move from TTE to TEE by providing a tax exemption for investment earnings inside KiwiSaver funds. The benefit is that investment earnings will be higher and, through compounding, New Zealanders will have much higher savings when they reach retirement.

The ACT policy includes a few examples showing that this simple change can have a significant impact on the growth of retirement savings. Tax exemptions come at a cost, but this will be partially offset by removing what remains of the annual government contribution, currently \$260.72 for those earning less than \$180,000.

The proposed change to KiwiSaver essentially puts retirement savings on the same footing as owner-occupied housing, which is purchased using post-tax income but thereafter remains exempt from tax so long as there is no comprehensive capital gains tax.

The last [Tax Working Group](#) considered whether the tax settings should be changed for retirement savings and concluded that, if there were to be changes, they should be targeted towards low-income earners, such as by exempting employer contributions from ESCT for employees on low incomes or reducing portfolio investment rates (PIRs) for lower-income earners. The [analysis](#) for the Tax Working Group considered that a change from TTE to EET could be costly and regressive:

"...[TEE] would substantially increase [KiwiSaver savings] attractiveness, and so would attract much more diversion of savings into them, potentially attracting almost all forms of financial savings. If no limits were put on contributions, the fiscal costs would be much higher, and would flow almost entirely toward wealthy households. Under an EET or a TEE scheme, it would be likely that many older and wealthier households would pay very little tax on their investment income. Under either an EET or a TEE scheme, putting tight limits on KiwiSaver balances would be necessary, but then the goal of attracting more savings into KiwiSaver wouldn't be achieved. The looser the restrictions on investing into an EET or TEE KiwiSaver, the higher the fiscal cost and the more regressive the distributional outcome will be."

Donation Tax Credits

While the ACT Party supported capping donation tax credits as part of Budget 2026, it now proposes to scrap the cap and once again allow unlimited donation tax credits. This change will be popular with the charitable sector, which has been vocally opposed to the change since it was announced. This policy change complements the ACT Party's proposal to develop a National Cancer Centre, funded in part by philanthropic gifts.

Cryptocurrency

The ACT Party has a full policy on "unlocking the digital economy" and, as part of this, proposes reforms to reduce the tax burden on cryptocurrency. The proposal is to have clear legal and tax rules, including for stablecoins, a 12-month bright-line test for long-term personal investment, and a tax exemption for low-value purchases made using digital assets.

Software

The tax treatment of software is something which can be unnecessarily confusing. Recognising this, the ACT Party proposes to modernise the treatment of software so that costs can be deducted on a clear and consistent basis regardless of how the software investment is made.

Residential rental loss ring-fencing

Residential property investment has been subject to a number of reforms in recent years, with the highest-profile change being the move to prevent landlords from deducting interest costs and the subsequent reversal of that change by the current government. Before interest deductions were denied, landlords became subject to residential rental loss ring-fencing rules in 2019. These rules have meant that, if a property owner makes a 'tax loss', in most cases it is not possible to offset that loss against non-rental sources of income.

The ACT Party proposes to repeal these rules and allow losses to once again be offset. It is forecast that this change will cost close to \$300 million per annum. This change is most relevant to taxpayers who hold residential property in their individual names. Recent Inland Revenue data indicates that 263,700 individuals own residential rental properties and, of those, 96,690 had a current-year loss in the 2024/25 income year. The average rental loss was \$11,510.

New Zealand First

Recognising that New Zealand has a high number of small and medium-sized enterprises (SMEs), New Zealand First proposes to introduce a differential company tax rate whereby businesses with turnover under \$30 million would be subject to a 20% company tax rate, with all other companies retaining the 28% rate.

The rationale is to encourage more investment. A lower company tax rate encourages money to be left in the business, where it can be reinvested, for example in new assets, or used to reduce reliance on debt. The estimated fiscal cost of this change is \$1 billion.

The proposed change is similar to the approach taken in Australia, where businesses with turnover of less than A\$50 million are eligible for a 25% company tax rate, while larger businesses are subject to a 30% rate.

While the idea of a lower company tax rate is appealing, a differential rate would add complexity and have behavioural implications due to the high level of additional tax payable when company profits are ultimately distributed to shareholders and taxed at rates of up to 39%. The OECD recently issued a report on [enhancing corporate tax systems](#) and noted the following points about differential tax rates:

- A lower rate can support cash flow; however young/growing firms may be in a tax loss position, meaning that a lower rate does not provide any assistance.
- Differential rates create a growth threshold problem, with businesses incentivised to stay below the threshold. This can result in businesses constraining growth or encourage businesses to split into multiple entities below the threshold.
- Medium-sized firms around or above the threshold are disadvantaged by the sudden jump in rates, which can discourage scaling.

New Zealand First also proposes changes to KiwiSaver, including making enrolment compulsory from birth, with children receiving a \$1,000 contribution. KiwiSaver would become compulsory for all workers, with employer and employee contributions set at 8% before increasing to 10%.

Conclusion

Taxes have taken up a material part of the 2026 election campaign, but the competing policies reflect fundamentally different objectives. Our table below provides a high-level summary of what has been proposed (and covered in more detail in this series of articles). Current opposition parties propose broader taxation of capital, wealth and higher incomes to fund redistribution and public services, while the current coalition parties favour spending restraint, targeted concessions and measures intended to support investment and savings. For businesses, the election outcome could determine not only the amount of tax paid, but also the treatment of investment, property, retirement savings and business growth. With several proposals carrying significant fiscal, distributional and administrative consequences, implementation detail will matter as much as the headline policy.

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The overall summary

	National	ACT	NZ First	Labour	Green Party	Te Pāti Māori	The Opportunity Party
Company tax rate reduction			● (SMEs)				
Company tax rate increase					● (large businesses)	●	
Repeal Investment Boost				●	●		
Immediate expensing of assets				● (small businesses)			
GST registration threshold	●			●			
Changes for landlords		● Repeal ring-fencing rules			● Remove interest deductibility, 10-year bright-line test		
Personal tax rate changes					●	●	●
KiwiSaver changes	●	●	●	●			●
Capital gains tax				●			
Wealth tax					●	●	
Other		● Donation tax credits Expensing software Cryptocurrency				● Low income tax credits	● Citizens income R&D incentives EV incentives
Other new taxes					● Inheritance/ gift tax Major banks levy 'Big tech tax'	● International profit transfer tax Land banking tax Vacant house tax Stamp duty	● Land tax

Low value assets: Understanding the rules behind the \$1,000 threshold

By Veronica Harley

Inland Revenue has issued [draft guidance](#) on how the low-value asset rule applies, reminding taxpayers that there is more to the concession than simply identifying assets with a cost of \$1,000 or less.

The guidance highlights several important aspects of the rules that taxpayers may not be aware of, and which could affect whether an immediate deduction is available.

The \$1,000 cost threshold

The core rule operates to allow an immediate deduction for the cost of a depreciable asset where its cost is \$1,000 or less. For GST-registered taxpayers, the threshold is measured on a GST-exclusive basis, while taxpayers who are not GST-registered use a GST-inclusive cost base. Although the asset is written off immediately, it remains depreciable property, with the deduction being claimed technically still being a “depreciation loss”.

A question frequently asked since the introduction of the Investment Boost rules is how the regime interacts with the low-value asset rule. The answer is that the \$1,000 threshold is determined using the asset’s original cost before the 20% Investment Boost deduction. If the Investment Boost deduction has the effect of reducing the value to below \$1,000 (for example the original cost was \$1,200, with \$240 claimed as an Investment Boost deduction), the asset does not also qualify for the immediate low-value asset write-off. Rather, the upfront Investment Boost deduction and ongoing depreciation loss deductions on the remaining cost can be claimed.

Items which are part of another item of depreciable property

Importantly, the low-value asset must itself be a separate item of depreciable property and not merely part of another depreciable asset. The purpose of this rule is to prevent taxpayers from breaking larger assets into smaller components to bring them within the \$1,000 threshold.

In determining whether something is a separate asset, factors such as whether it is physically distinct, functionally complete in its own right, or whether it performs a separate function will be relevant. Conversely, an item that is physically connected to, integrated into, or necessary for the operation of a larger asset is more likely to be regarded as part of that larger asset. This is fine in theory, but may not always be straightforward in practice, and each case needs to be assessed on its own facts.

The Commissioner has already issued recent guidance on this aspect in *IS 25/03: Income tax – identifying the relevant item of property for depreciation purposes*, which we covered in a February 2025 Tax Alert [article](#). The examples included in the new draft statement are less controversial in this regard. For example, an internal water filtration cartridge purchased separately for a commercial espresso machine forms part of the espresso machine because it has no independent function and is necessary to complete the larger item.

The second example is of a detachable seed-spreader that clips onto the rear of a mower. The seed-spreader remains separate from the mower because it serves a different function, operates independently of the mower’s core function, and can be attached and detached without affecting the mower. Therefore, it can be regarded as a separate asset.

Group acquisition or single supplier rule

If a person acquires a group of items from the same supplier at the same time, and those items have the same depreciation rate, their costs must be aggregated when determining whether the \$1,000 threshold has been exceeded. As a result, even where each item individually costs less than \$1,000, none of the items will qualify for an immediate deduction if their combined cost exceeds the threshold. The purpose of this rule is to prevent the \$1,000 threshold from being circumvented by treating each item in a group acquisition as a separate lower-value asset.

The statement helpfully explains what is meant by “at the same time” and “from the same supplier”. The key points about this rule to note are:

- A taxpayer will acquire a group of items at the same time if ownership of each item passes to the taxpayer at the same time.
- Transactions with the same supplier will not necessarily be aggregated merely because they occur on the same day. The items must be acquired at the same time.
- Even if a group of items is acquired from the same supplier at the same time, those items will not be aggregated unless each item attracts the same depreciation rate.

It could be that items are initially purchased as trading stock but are used as depreciable property rather than sold. The example cited is an equipment retailer that purchases several coffee machines as trading stock, each costing less than \$1,000, from the same supplier on the same day. However, the retailer decides to use some of the coffee machines as in-house demonstration models. Only the cost of the items that are no longer held as trading stock would need to be aggregated for the purposes of this rule.



Therefore, if the aggregated cost of the demonstration models is \$1,000 or less, they would be eligible for the low-value asset deduction.

Income on disposal or change of use

And last, but not least, if a low-value asset is disposed of, the consideration is income in the year of disposal. Likewise, if the low-value asset has a change of use and moves out of the tax base, this too will be treated as a deemed disposal.

The guidance suggests that taxpayers should keep a record of low-value assets, for example, in a fixed asset register, so they can identify disposals or changes of use and calculate any income arising. Taxpayers may not want to clutter a depreciation register with lots of low-value assets, particularly as this runs counter to the simplification objective of the low-value asset rule. Nonetheless, best practice would be for taxpayers to retain sufficient records of low-value assets to justify their classification and to identify disposals and changes of use. A pragmatic approach is to ensure that the proceeds of any low value asset sales is coded to "other income" (or similar account) to ensure that is captured in income tax returns.

Conclusion

Although the draft statement does not break significant new ground, it is a useful reminder that the low-value asset concession contains several limitations that are easily overlooked in practice. In particular, the guidance reinforces Inland Revenue's focus on correctly identifying the relevant asset, applying the group acquisition rule where required, and retaining sufficient records to support deductions claimed.

For many taxpayers, the practical takeaway is that a cost of less than \$1,000 should be the starting point, not the end of the analysis. The statement effectively puts taxpayers on notice that Inland Revenue expects the concession to be applied consistently with the detailed legislative requirements, even where the amounts involved may appear relatively minor. If you have any questions on low-value assets, please contact your usual Deloitte adviser.

Submissions close on 20 November 2026.

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India and New Zealand are opening their doors: What does the FTA mean for your business?

By Bart de Gouw, Hiran Patel & Sirina Sobti

Are you thinking about expanding your New Zealand business offshore, or looking for a new export market?

The ability to access the market in India is about to become easier with the implementation of a new free trade agreement.

On 20 October 2026, the New Zealand-India Free Trade Agreement (FTA) came into effect, bringing with it lower tariffs and reduced barriers to trade. The FTA creates opportunities for New Zealand businesses already trading with India and those looking to enter the market. Lower tariffs can help exporters compete more effectively in India, while the removal of tariffs on qualifying Indian goods that New Zealand businesses import could mean lower prices for New Zealand consumers in the long run.

India's population of 1.4 billion offers New Zealand businesses an enormous market to tap into. By 2030, India's GDP is expected to reach around NZ\$12 trillion, and is expected to be one of the largest economies in the world. Its growing middle class is also projected to reach 715 million, offering New Zealand businesses a consumer market larger than the European Union. New Zealand's experience with the New Zealand-China FTA shows how access to a large emerging market can encourage businesses to pursue opportunities where there is access to favourable trade terms via an FTA.

However, greater market access is only part of the story for businesses looking to expand in the Indian market. Turning that opportunity into growth also means understanding the tax and compliance questions that come with doing business across borders.

So, what changes with the FTA?

While the FTA provides a number of benefits, a key highlight is the reduction in tariffs. A high-level summary of the tariff reductions is as follows:

	Pre-FTA tariff	From 20 October 2026
NZ goods exported to India	Tariffs vary by product, with many exports facing tariff rates of between 30% and 60% (some as high as 150%).	57% of New Zealand's current exports will now be able to enter India tariff-free, with this percentage rising to 82% over time once the agreement is fully phased in. A further 13% of exports will receive tariff reductions, meaning approximately 95% of current exports will benefit overall.
Indian goods imported into NZ	Standard tariffs apply on 8,284 tariff lines.	Tariffs and duty charges will be removed on 100% of Indian imports that satisfy the Indian-origin rules.

While there are tariff reductions across a number of industries (mainly the industries that already export to India), not all industries benefit from tariff reductions. Therefore, it is important to check whether your industry qualifies for a tariff reduction under the FTA.

What's in it for you? - Lower barriers, greater opportunities

New Zealand exporters should have more competitive access to India, and opportunities to diversify their sales. The Ministry of Foreign Affairs and Trade estimates annual tariff savings of approximately NZ\$43 million for New Zealand businesses, scaling to NZ\$62 million once the second round of tariff cuts occurs from 1 January 2027.

For certain products, including apples, kiwifruit and albumins (milk protein product), benefits come through preferential quota access rather than unrestricted tariff elimination.

However, it is worth noting that benefits also extend beyond goods. Improved access for services exporters, including fintech, tertiary and private education providers, will help NZ businesses compete on a more level playing field in India.

Which industries will benefit the most?

Sectors that benefit both sides of the corridor

NZ → India

NZ exports gain

-  Wood, wool & leather
-  Automotive equipment
-  Manuka honey & wine
-  Apples, kiwifruit
-  Pharma, steel, aluminium

India → NZ

India exports gain

-  Textile & apparel
-  Pharma & med services
-  Engineering & auto
-  Electronics
-  Leather & footwear

Forestry and wood exporters: More than 95% of existing forestry and wood exports (including pulp and paper products) will enter India tariff-free from day one, with tariffs on almost all existing trade phased out over seven years.

Apple and kiwifruit exporters: Exports of apples and kiwifruit will be subject to preferential quota access, resulting in lower tariffs and duty-free access for kiwifruit. Kiwifruit exports outside the quota will also receive a halving of tariffs, subject to applicable conditions.

Dairy exporters: The FTA introduces phased tariff elimination for bulk infant formula, specified dairy-based preparations and peptones, alongside preferential quota access for albumins (instead of broad tariff elimination for core dairy products such as milk, cheese and butter).

The FTA also commits to a fast-track mechanism under which New Zealand exporters will be able to supply Indian businesses with inputs from New Zealand, duty-free for use in the manufacture of products for export from India – the timing is yet to be determined.

Key tariff changes include:

	Sheep meat 	Apples 	Kiwifruit 
Pre-FTA tariff	33%	50%	33%
Post-FTA Treatment	0% immediately on the day the Agreement enters into force.	Preferential quota access: tariffs reduced to 25% within a quota starting at 32,500 tonnes, increasing to 45,000 tonnes over six years.	Preferential tariff rate quota: from day one, up to 6,250 tonnes of kiwifruit can enter duty-free each year, with this threshold increasing to 15,000 tonnes over six years. Outside the quota, there is a 50% tariff reduction (from 33.5% to 16.5%) for out-of-quota trade.
	Wine 	Albumins 	Bulk infant formula and other dairy bases food preparations 
Pre-FTA tariff	150%	22%	33%
Post-FTA Treatment	Reduced to 25% or 50% over ten years, depending on the product value.	Reduced to 11% for a quota starting at 1,000 tonnes per annum and growing to 3,000 tonnes by year five.	Eliminated over a period of seven years.



Looking beyond tariffs: what tax questions to ask when doing business in India?

Lower tariffs can make India a more attractive market to enter for New Zealand businesses, but tariffs are only one part of the consideration. The existence of an FTA does not necessarily mean a lower compliance burden for New Zealand businesses.

Whether you are entering the market or expanding an existing presence, here are four questions you should be asking:

1. How will the business operate in India?

What operating model fits your plans? While you might be exporting through your existing NZ entity, you will need to think about how you structure your affairs if you expand and look to do business in India. Some options could involve working with a local distributor or joint venture partner, or establishing an Indian entity to carry out your operations.

What needs to be in place? If you are expanding to India, you need to consider which legal, foreign investment and tax registration requirements apply, including Indian GST where relevant. Registration requirements are a key point to consider, so ample time is required before launching into the Indian market.

How will returns reach New Zealand investors?

Dividends, interest, royalties and service fees can all be used to repatriate funds to NZ but have varying tax consequences, and some may give rise to withholding tax obligations. Therefore, it is important to consider the existing New Zealand–India Double Tax Agreement (DTA), and how it would apply to any payments that are repatriated to New Zealand.

2. *Could your business activity create a taxable presence?*

Even if you aren't setting up an entity in India, consideration is required as to whether activities of your New Zealand business create a taxable presence in India.

Sending employees to India, using a local agent, or concluding contracts in India can create a taxable presence in India. You do not necessarily need your own office to create a permanent establishment (PE).

Certain local agency arrangements can be enough for your business to be considered as having a PE, which can lead to the profits relating to the Indian operations of a New Zealand entity being taxed in India.

Hence, the practical questions are straightforward: who will represent your business, where will they work, and what authority will they have? These topics should be considered as part of your expansion strategy, rather than being left until the arrangements are already in existence. The benefits of tariff savings can quickly be eroded by tax obligations if your activity is not managed properly.

3. *How will your related-party transactions be priced?*

Easier trade conditions may increase transactions between related businesses in New Zealand and India, including transactions such as:

- Product sales/purchases;
- Management and support services;
- Royalties and intellectual property charges;
- Financing and interest.

All cross-border related-party transactions must be priced at arm's length, meaning the terms (including the price) must be comparable to what an independent business would agree to. If your business does qualify for a tariff reduction, this could mean that exporters have higher post-tax profitability following implementation of the FTA. This impact should be monitored actively for forecasting and also for tax planning and future payments of tax.

4. *Will your goods actually qualify for the tariff reductions?*

Shipping goods from New Zealand or India does not automatically make them eligible for preferential tariffs. The outcome depends on the product's tariff classification, whether it meets the relevant rules of origin and the evidence supporting the claim.

For businesses with a complex supply chain, this means it will be important to understand where the goods are manufactured, what processing takes place in each jurisdiction and whether or not the finished product qualifies for preferential treatment under the FTA.

What should businesses do now?

The FTA creates a new pathway into India, but each business will have a different starting point. 20 October 2026 is not simply the date the tariff reductions begin but should be considered a useful trigger for businesses to revisit their business plans for supply to and from India. To discuss what the FTA could mean for your business, or if you consider there is an opportunity for you to expand to India, please contact your usual Deloitte adviser.

If you would like to hear more on expanding overseas join our Going Global – Key tax considerations for NZ businesses expanding overseas webinar on 25 November 2026

 [Register for the webinar](#)

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A permanent establishment in jandals and shorts?

The 2025 OECD Model in full

By Bart de Gouw & Hamish Butterworth-Snell

The Organisation for Economic Co-operation and Development (OECD) has recently published the full version of the 2025 Model Tax Convention on Income and on Capital (MTC).

At over 2,500 pages, it should more than meet your weekend reading needs. If 2,500 feels like a bit much, the condensed version will be updated shortly. The MTC is used by countries as a framework when negotiating, applying and interpreting bilateral tax treaties, including New Zealand's double tax agreements (DTAs).

The MTC is important for two key reasons. First, it provides guidance on how countries may interpret provisions contained in their DTAs. Second, updates to the MTC can provide an indication of how countries may seek to amend their DTAs going forward. With these two purposes in mind, what does the 2025 MTC offer?

Overall, the updated commentary provides greater detail on several areas. Of particular interest is the expanded commentary on when an employee working from home in another country may create a permanent establishment for their employer (a home office PE). Although there is no change to existing treaties, the updated MTC applies to the interpretation of current and future arrangements.

Home office PE: a practical reminder

The global adoption of remote and flexible work arrangements has enabled employees to work from virtually anywhere, including countries outside their employer's home jurisdiction. While this flexibility offers significant benefits, it also raises important tax considerations for businesses, particularly the risk that an employee's home office could be deemed a "permanent establishment" (PE) under international tax treaties. We discussed this in depth in the [December 2025](#) Tax Alert following the OECD's release of the approved 2025 update. Those changes have now been incorporated into the full version of the 2025 MTC.

As a refresher, a home office PE may arise in Country A where an employee of an overseas employer (in Country B) works from their home or another fixed location in Country A. Depending on the facts and circumstances, that location may be treated as a fixed place of business of the overseas employer, potentially giving rise to corporate tax and compliance obligations in Country A.

The updated guidance focuses on two key considerations: how much time the employee works from the location and whether there is a commercial reason for their activities being undertaken in Country A. Generally, a home office will not be treated as an employer's fixed place of business where the employee works from it for less than 50% of their total working time over any 12-month period. However, if the employee works from that home office for 50% or more of their working time, it is then necessary to consider whether the employer has a business reason (a "commercial reason test") for its employee being present in Country A.

Relevant considerations may include whether the employee regularly meets customers or develops customer relationships in Country A, identifies or manages local suppliers, or uses their location to provide real-time services across time zones. But the mere presence of customers or suppliers, or a time zone difference by itself, will not establish a commercial reason. Similarly, accommodating an employee's preference, retaining or obtaining their services, or reducing office costs will not, by itself, establish whether there is a commercial reason for the employee's activities to be undertaken in Country A. The analysis remains fact-specific and should reflect actual working arrangements rather than contractual terms alone.

Businesses that have employees in overseas jurisdictions (i.e. both inbound and outbound to New Zealand) should accordingly:

- review company policies on remote working arrangements;
- maintain reliable records of where employees work and for how long;
- document why an overseas working arrangement was approved, including whether there were any commercial reasons for the remote working arrangement;
- review longer-term arrangements, especially where employees interact with customers and suppliers, and consider what authority to contract the employee has;

- consider other potential PE exposures (e.g. services PEs, dependent agent PEs); and
- consider payroll taxes, non-resident contractor tax, and other withholding taxes.

New Zealand has also recently introduced new non-resident visitor rules. These rules provide specific relief to qualifying non-resident visitors by disregarding their New Zealand activities when determining whether an overseas entity has a permanent establishment. These rules make it easier for employees of overseas companies to temporarily live in New Zealand without creating a PE for the employer, as discussed in our [September 2025](#) Tax Alert.

What else has changed?

The updated MTC contains several other developments that may affect cross-border arrangements:

- an optional treaty provision introducing a lower PE threshold for certain activities connected with the exploration and exploitation of extractable natural resources, which would need to be adopted through the relevant bilateral treaty before applying;
- further Article 9 Commentary on associated enterprises, including the interaction between the arm's-length principle and domestic interest-deductibility rules;
- related guidance under Articles 7 and 24 concerning corresponding adjustments to PE profits and information requirements for non-residents; and
- changes to Article 25 and its Commentary concerning the mutual agreement procedure, dispute resolution under the General Agreement on Trade in Services (GATS), and tax certainty in connection with Amount B of Pillar One.

We do not anticipate these changes affecting many of our clients.



Deloitte thoughts

Publication of the full 2025 MTC provides businesses and tax authorities with a consolidated reference point for the latest OECD treaty guidance. For many businesses, the immediate practical issue will remain cross-border remote working. Policies introduced in response to temporary or occasional overseas work may not adequately address arrangements that have become longer term or increasingly connected with customers, suppliers or business operations in another country.

Businesses should make sure that they have a process for identifying these arrangements early. They should also review the specific DTA and the positions of the relevant countries, as not every New Zealand DTA follows the current OECD Model, and some changes will require treaty amendments before they can apply.

If you have any questions about how the 2025 MTC may affect your arrangements, please contact your usual Deloitte adviser.

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Snapshot of recent developments

Tax legislation and Policy Announcements

Public Remedials Log: Tax Bill update

Inland Revenue recently [updated](#) the Public Remedials Log to include all remedial items in the 2026-27 Tax Bill.

Information release: Orders in Council for Approved Information Sharing Agreement with Ministry of Business, Innovation and Employment

On 28 September 2026, Inland Revenue published an [information release](#) and [commentary](#) relating to the Orders in Council for the Approved Information Sharing Agreement between Inland Revenue and the Ministry of Business, Innovation and Employment.

Inland Revenue Technical Updates

Draft Question We've Been Asked: Can an Active Investor Plus visa holder become tax resident under the permanent place of abode test?

On 1 September 2026, Inland Revenue [published](#) a draft Question We've Been Asked (QWBA) PUB00548: *Can an Active Investor Plus (AIP) visa holder become tax resident under the permanent place of abode (PPoA) test?* Inland Revenue concludes that an AIP visa holder can become tax resident under the PPoA test, provided they have a place of abode (dwelling) in New Zealand that they habitually reside in from time to time, on an enduring rather than temporary basis.

The PPoA test requires an overall assessment of the person's circumstances and the nature and quality of the use the person habitually makes of a place of abode. The person does not need to intend to live somewhere for the rest of their life to satisfy the PPoA test, and a person can still be tax resident in New Zealand even if they also have a PPoA outside New Zealand.

Consultation on the draft closed on 13 October 2026.

Inland Revenue: Fringe Benefit Tax prescribed interest rate increase

On 8 September 2026, Inland Revenue [issued](#) a reminder that the prescribed rate used to calculate fringe benefit tax on low-interest, employment-related loans has increased from 5.77% to 6.07% for the quarter beginning 1 October 2026.

Draft Operational Statement: Mutual associations (including clubs and societies)

On 18 September 2026, Inland Revenue [published](#) a draft operational statement ED0265: *Mutual associations (including clubs and societies)*. The statement explains the income tax treatment of amounts received by societies, clubs and other not-for-profit associations from their members, other than amounts subject to a specific tax exemption such as for charities or sports clubs. The statement applies from 1 April 2027 and will be prospective in application when finalised.

Consultation on the draft closes on 11 December 2026.

Inland Revenue: Tax Information Bulletin – September 2026 (Vol 38, No 8)

On 1 September 2026, Inland Revenue [issued](#) its September 2026 Tax Information Bulletin. The TIB covers the following recent tax developments:

Determination

- DET 26/06: Tax Administration (Fringe Benefit Tax, Interest on Loans) Determination 2026

Ruling

- BR Pub 26/01-26/03: GST – Directors' fees and board members' fees

Interpretation statement

- IS 26/13: Income tax – payments by employers on the death of an employee to executors and family

Revenue alert

- RA 26/02: Non-compliance in the horticultural sector

Question we've been asked

- QB 26/05: GST – Directors or board members who provide services through a personal services company

Case summary

- CSUM 26/11: Court of Appeal upholds High Court award of indemnity costs to the Commissioner

Technical decision summaries

- TDS 26/10: GST – amalgamation
- TDS 26/11: Income tax – amalgamation
- TDS 26/12: Property as trading stock

Inland Revenue: Tax Information Bulletin – October 2026 (Vol 38, No 9)

On 1 October 2026, Inland Revenue [issued](#) its October 2026 Tax Information Bulletin. The TIB covers the following recent tax developments:

Order in Council commentary

- Approved Information Sharing Agreement between Inland Revenue and MBIE
- DTA (Republic of Croatia) Order 2026
- DTA (Republic of Slovenia) Order 2026

Technical decision summaries

- TDS 26/17: Restructure and use of losses
- TDS 26/16: Complying trust
- TDS 26/15: GST liability on deregistration
- TDS 26/14: Deductibility of forestry expenditure
- TDS 26/13: Derivation of holiday pay remedial payments and calculation of terminal tax

Tax Cases and Technical Decision Summaries

Mainzeal v QBE: Insurance cover and GST liability under D&O policy

On 7 September 2026, the High Court published its [judgment](#) in *Mainzeal & Ors v QBE*, which concerned a dispute over insurance proceeds payable under Mainzeal's directors' and officers' liability policy following damages awarded for directors' breaches of duty. The Court considered whether an additional \$1 million payable to a non-executive director was excluded by the policy's personal profit exclusion and whether QBE was required to indemnify Mainzeal for GST payable on receipt of the insurance proceeds. The Court held that the personal profit exclusion did not apply because the directors' breaches were not found to have been undertaken to obtain an unlawful personal benefit. It also found that QBE was not liable to indemnify Mainzeal for GST arising on the insurance proceeds, as Mainzeal received the payment as a third-party claimant rather than as an insured, and QBE was not required to structure the payment to avoid a GST liability.

Technical Decision Summary: Derivation of holiday pay remedial payments and calculation of terminal tax

On 10 September 2026, Inland Revenue [published](#) technical decision summary *TDS 26/13: Derivation of holiday pay remedial payments and calculation of terminal tax*. The summary considers an adjudication involving a taxpayer who received a remedial holiday pay payment from a former employer several years after their employment had ended and challenged the resulting tax assessment. The Tax Counsel Office concluded that the employer had correctly treated the payment as extra pay and deducted PAYE at the applicable rate, that the payment was derived when received and was therefore correctly allocated to the year of receipt, and that the resulting terminal tax calculation was correct. The adjudication also confirmed that the taxpayer bore the burden of proving the assessment was wrong and that, although the taxpayer's Notice of Proposed Adjustment was likely invalid because it failed to adequately identify the relevant law and its application, only the Taxation and Charities Review Authority or High Court could make a final determination on its validity.

Technical Decision Summary: Deductibility of forestry expenditure

On 17 September 2026, Inland Revenue [published](#) technical decision summary *TDS 26/14: Deductibility of forestry expenditure*. The summary considers an adjudication on the deductibility of expenditure incurred before and after a taxpayer's final pine harvest. The Tax Counsel Office concluded that the expenditure was not deductible, finding that the pre-harvest costs of purchasing and planting native trees were incurred to restore and stabilise the land rather than in carrying on a forestry business for the purpose of deriving assessable income. It also found that the post-harvest expenditure on fencing, aggregate and truck hire was incurred after the forestry business had ceased, which occurred on the date of the final tree sale, and therefore lacked the necessary nexus with the taxpayer's income-earning activities.

Technical Decision Summary: GST liability on deregistration

On 17 September 2026, Inland Revenue [published](#) technical decision summary *TDS 26/15: GST liability on deregistration*. The summary considers an adjudication involving a property development partnership that sought retrospective GST deregistration on the basis that it had never carried on a taxable activity. The Tax Counsel Office concluded that the taxpayer should be deregistered from the date of its original registration, as it had not carried on a taxable activity. However, it also found that GST remained payable on the sale of one lot under s 51B(2) because the taxpayer had represented that GST was being charged on the supply, notwithstanding its deregistration. By contrast, no GST liability arose on the sale of a second lot because the taxpayer had represented that the supply was zero-rated.

Technical Decision Summary: Complying trust

On 22 September 2026, Inland Revenue [published](#) technical decision summary *TDS 26/16: Complying trust*. The summary considers a private ruling on whether a trust settled by a New Zealand resident settlor qualified as a complying trust under s HC 10(1). The Tax Counsel Office concluded that the trust was a complying trust for the purposes of any distribution, as its trustee income did not include non-resident passive income, non-residents' foreign-sourced income, or exempt income under s CW 54, and the trustee's tax obligations would be satisfied. The ruling was subject to a condition that all tax obligations relating to the trustee's income tax liability were met for every income year.

Technical Decision Summary: Restructure and use of losses

On 28 September 2026, Inland Revenue [published](#) technical decision summary *TDS 26/17: Restructure and use of losses*. The summary considers a private ruling on a group restructuring involving the transfer of production activity assets between wholly owned subsidiaries and the ability of the recipient company to carry forward and utilise historic tax losses following the restructure. The Tax Counsel Office concluded that the recipient company would be able to carry forward and use its tax loss balance under ss IA 3(4) and IA 4(1), provided it continued to satisfy the continuity requirements in s IA 5 and remained subject to the relevant loss adjustment provisions. The ruling also confirmed that the general anti-avoidance provision in s BG 1 did not apply, as the restructure was undertaken to separate business activities and clarify the roles, functions and financial performance of different parts of the group. The ruling was subject to conditions relating to the share structure and voting rights of the parent company and the recipient company.

Technical Decision Summary: Income tax – proceeds of sale

On 1 October 2026, Inland Revenue [published](#) technical decision summary *TDS 26/18: Income tax – proceeds of sale*. The summary considers a private ruling on whether proceeds from the sale of investment properties owned by an insurance company would be taxable under ss CB 1 or CB 6. The Tax Counsel Office concluded that the sale proceeds were not income, finding that the properties were held on capital account rather than as part of a land trading or insurance business. In reaching this conclusion, it noted that the properties were acquired to support the wider group, leased for long-term use, funded independently of policyholder funds, and held primarily as capital assets. The ruling also confirmed that the company did not have a purpose or intention of disposing of the properties at the time of acquisition, as they were acquired to hold and lease within the group and had been retained for a number of years before the proposed sale.

Inland Revenue Media Releases and Other Updates

Inland Revenue: Changes to taxpayer ruling and determination applications

On 1 September 2026, Inland Revenue [issued](#) a reminder that from 14 September, all private, product, and status ruling applications must be submitted through myIR. This also applies to financial arrangement and depreciation determinations.

Inland Revenue: Amendments to the Common Reporting Standard

On 1 September 2026, Inland Revenue [announced](#) that it has updated its guidance on the Common Reporting Standard (CRS) to reflect the following changes which took effect from 1 April 2026:

- The CRS now covers certain digital financial products, including specified electronic money products and central bank digital currencies.
- Reporting requirements have been extended to indirect investments in crypto-assets through derivatives and investment vehicles.
- Definitions of investment entity, custodial institution, and depository institution have been expanded.
- Due diligence requirements have been strengthened.
- Additional information about account holders, controlling persons, and financial accounts must now be reported.

This updated guidance is for the CRS period ending 31 March 2027 and onwards.

Inland Revenue: What the Crypto-Asset Reporting Framework means for crypto-asset users

On 1 September 2026, Inland Revenue [issued](#) a reminder that from 1 April 2026, New Zealand-based Reporting Crypto-Asset Service Providers (RCASPs) have been required to collect and report certain information about their crypto-asset users and transactions.

Inland Revenue has advised that customers of RCASPs who use the provider to carry out exchange transactions or transfers of crypto-assets will need to provide identifying information and confirm their tax residency with the provider. Customers will also need to keep records of their crypto-asset transactions and include taxable crypto-asset income in their income tax return.

Inland Revenue: Account manager service

On 2 September 2026, Inland Revenue announced that it is making changes to its work priorities. Inland Revenue has advised that annual review meetings (meetings between Inland Revenue Account Managers and Tax Agents) that are already scheduled will proceed as planned; however, Inland Revenue may not be scheduling new annual review meetings for some time. Inland Revenue has requested that for exceptional client issues, tax agents should email the centralised site email address and include the client's IRD number and name in the subject line.

Inland Revenue: Upcoming Employment Information changes

On 2 September 2026, Inland Revenue announced that from 12 September 2026, it will be introducing changes to improve the quality of employment information (EI) data and support the move to stronger validation rules in future. These changes include warnings where submitted employee details do not match Inland Revenue's records, and a new validation service in myIR file upload and gateway services, which will allow users to check EI files before submitting them.

Inland Revenue: Auckland builder sentenced for tax evasion

On 2 September 2026, Inland Revenue published a media release detailing the home detention sentence imposed on an Auckland builder who evaded more than \$350,000 in income tax, GST, and PAYE.

Inland Revenue: Tax agents survey results (Apr-Jun 2026)

On 7 September 2026, Inland Revenue published the results of the April - June 2026 Tax Agents Voice of the Customer survey. Key insights are set out by Inland Revenue here.

Inland Revenue: False GST claims result in home detention sentence

On 8 September 2026, Inland Revenue [issued](#) a media release detailing the home detention sentence imposed on a Northland woman who tried to claim GST refunds that her company was not entitled to.

Inland Revenue: Home detention for evasion charges

On 10 September 2026, Inland Revenue [issued](#) a media release relating to an Auckland woman who was charged with tax evasion but spared imprisonment because of the special needs of her children.

Inland Revenue: Debt collection and contact details

On 11 September 2026, Inland Revenue [requested](#) that tax agents encourage clients with overdue tax debt to contact Inland Revenue early to discuss their options, which may include setting up an instalment arrangement using the self-service option in myIR. Inland Revenue also requested that tax agents check that client addresses are current and valid, to ensure that clients receive important correspondence and that Inland Revenue can contact them if the tax agent linking ends.

Inland Revenue: COVID fraud sentencing

On 15 September 2026, Inland Revenue [issued](#) a media release detailing the six-month community detention sentence imposed on an Auckland man who made false declarations in his claims for the Small Business Cashflow Scheme loan during COVID-19.

Inland Revenue: Changes to myIR registration, access, and IRD number applications

On 16 September 2026, Inland Revenue [announced](#) that it has made changes to myIR registration and account access. As part of the changes, taxpayers will be able to create a myIR account before they have an IRD number. This means they can start interacting with Inland Revenue earlier, including applying for an IRD number, sending messages and uploading documents in myIR.

Inland Revenue: Fees Free will end without transitional arrangements

On 17 September 2026, Inland Revenue [issued](#) a reminder that there will be no transitional arrangements when Fees Free ends on 31 December 2026. Students must complete their eligible qualification or programme on or before 31 December 2026 and apply within 12 months of completion to access the scheme.

Inland Revenue: Prison for tax evasion

On 25 September 2026, Inland Revenue [issued](#) a media release detailing the prison sentence imposed on a Christchurch man charged with failing to make PAYE payments and tax evasion totalling nearly \$1.4 million.

Inland Revenue: Reports to Ministers in 2026

On 28 September 2026, Inland Revenue [published](#) a complete list of reports and briefing notes provided to the Minister of Revenue's office by Inland Revenue, updated to August 2026. To obtain a copy of any of these listed reports, an Official Information Act request must be made to Inland Revenue.

Inland Revenue: Planned service outages - November

On 29 September 2026, Inland Revenue [announced](#) that it has planned service outages on the weekends of 21-22 and 28-29 November 2026. During the testing, myIR, Gateway Services and the self-service phone line will be unavailable.

Overview Page: Standard costs for home-based services

On 30 September 2026, Inland Revenue [published](#) an overview tax technical page for all determinations that set the standard costs for home-based service providers:

- Childcare providers
- Private boarding providers
- Short-stay accommodation providers
- Home share care providers

Amounts calculated in accordance with these standard cost household service determinations are treated as expenditure incurred in providing the relevant services.

For any income year, a taxpayer can choose to use these standard costs instead of their actual expenses, provided the criteria in the determinations are met.

International Tax updates

Double Tax Agreements (Republic of Croatia) Order 2026

The Double Tax Agreements (Republic of Croatia) Order 2026 ([SL 2026/236](#)) comes into force on 24 September 2026. The Order gives effect to the agreement between New Zealand and the Republic of Croatia for the elimination of double taxation with respect to taxes on income and the prevention of tax evasion and avoidance and a protocol to that agreement.

Inland Revenue has published an information release and [commentary](#) relating to the Order.

Double Tax Agreements (Republic of Slovenia) Order 2026

The Double Tax Agreements (Republic of Slovenia) Order 2026 ([SL 2026/237](#)) comes into force on 24 September 2026. The Order gives effect to the agreement between New Zealand and the Republic of Slovenia for the elimination of double taxation with respect to taxes on income and the prevention of tax evasion and avoidance, and a protocol to that agreement.

Inland Revenue has published an [information release](#) and [commentary](#) relating to the Order.

New Zealand and India ratify free trade agreement

On 21 September 2026, the Minister of Trade and Investment [announced](#) that New Zealand and India have both formally ratified the India-New Zealand Free Trade Agreement. The FTA came into force on 20 October 2026.

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



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