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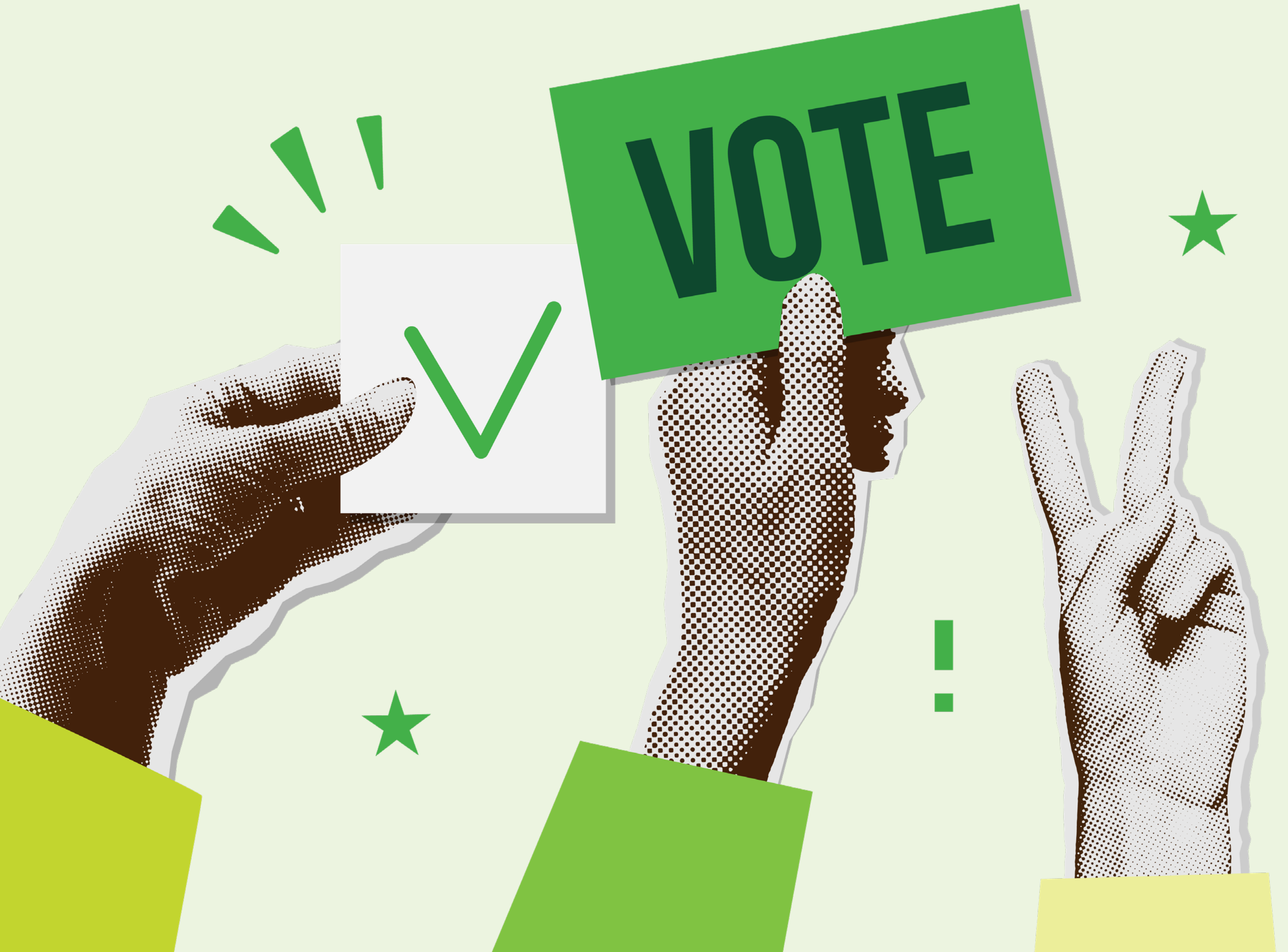
# Tax Alert





# Election Tax Policies Part One

By Robyn Walker

Tax policy can decide elections, and Election 2026 may be no exception. Election campaigns inevitably involve fiscal promises, and those commitments must be funded through reprioritised spending, additional debt, higher tax or another mechanism.

With the election less than four months away, details of tax policies are starting to emerge and Tax Alert will be summarising what is on offer, starting with the two most detailed policies released to date by the Green Party and The Opportunity Party. Both parties start from a similar premise, that the existing tax system is no longer fit for purpose, but propose materially different reforms.

### The Green Party

The Green Party tax policy is centred on a premise of ensuring "the super-rich and mega-corporations contribute their share to the society they profit from". The proposals to achieve this include:

- Introducing a 2.5% wealth tax on net assets of any individual in excess of $10 million. This will apply to assets such as property and shares, but will exclude the family home. The policy notes that property with a value over $50,000 will be included on the basis of insured value (for example, artworks). Assets held in trusts will most likely be attributed to the settlor (it's unclear what happens when the settlor is deceased) but may also be apportioned to beneficiaries in some cases. The wealth tax is estimated to bring in an additional $3.7 billion to $4.1 billion per year.
- A capital acquisition tax would be applied to inheritances and gifts valued above $1 million. The tax would be paid by the recipient. Gifts of the family farm or family home would be exempt from the tax. This is, in essence, an inheritance tax, but also ensures that gifting while alive isn't an obvious loophole. It is unclear whether the threshold applies on a per-gift basis or whether it is necessary to tally lifetime gifts.
- Inland Revenue currently uses turnover of $30 million as a threshold for categorising a business as "large", so that those businesses receive greater compliance focus from Inland Revenue. Under the Green Party tax proposal, those large businesses will also see an increase in the company tax rate from 28% to 33% (a return to the company tax rate prior to 2008). In 2025, companies paid $19.7 billion in tax, and increasing the rate is expected to raise an additional $1.37 billion to $1.57 billion per year.
- Banks with liabilities in excess of $100 billion will be subject to a levy of 0.06% of total liabilities. This is expected to affect only the four largest banks and raise $1.5 billion over the first four years.
- Multinational businesses operating in New Zealand would have service fees and licence fees paid to related parties reclassified as royalties. This means that non-resident withholding tax would be withheld from all payments. This is forecast to raise more than $200 million in additional tax per year.


- Rather than proposing a capital gains tax, the Green Party proposes to restore the bright-line period to 10 years and to once again deny the ability for landlords to claim interest as a deductible expense. While the policy won't apply to family homes, there is no indication that there will be concessionary rules for "new builds", as was the case when these rules were previously in place.
- Personal tax rates will change, with the significant changes being the introduction of a tax-free threshold for the first $10,000 of income, but also a 45% top personal tax rate applying to income in excess of $160,000.
- Inland Revenue would receive additional funding of $100 million per year to enforce the new rules.

### Comment

The Green Party proposals would raise around $5 billion per year, subject to behavioural responses. Wealth taxes, in particular, are uncommon because they can result in capital flight and mobile wealth would be likely to relocate out of New Zealand. Inland Revenue's 2026 Long Term Insights Briefing (LTIB) considered alternative taxes such as wealth taxes. Practical challenges such as the need for real-time valuation of assets and high administration costs were raised, as was the practical issue associated with illiquid assets. The LTIB also noted "there is likely to be a reasonable risk that adding a wealth tax to the tax system would make very wealthy residents more likely to emigrate and make very wealthy non-residents less likely to immigrate."

New Zealand has historically had inheritance and gift taxes, with estate duty having been repealed in 1992 and gift duty being repealed in 2011 due to the high costs relative to tax collected. The capital acquisition tax is, in essence, a reinstatement of such taxes. Inheritance taxes are more common internationally than wealth taxes, with around two-thirds of OECD countries having them. The LTIB notes that inheritance taxes can be viewed as inequitable as they essentially place a higher tax burden on those who save and die with wealth rather than consuming it within their lifetime. Such taxes can be said to "improve equality of opportunity by reducing the advantages some people receive from being born into a wealthy family", according to the LTIB. While the Green Party policy notes there would be an exemption for family farms and family homes, there is no proposal to exempt businesses, so passing on the family business will result in a tax bill for the recipient (the majority of OECD countries with an inheritance tax exempt family businesses).

While the company tax rate policy indicates that this threshold is targeted at "banks, supermarkets and energy companies", it would affect thousands of businesses. Statistics New Zealand doesn't provide full data broken down by turnover, but the most recent statistics show that there are approximately 4,500 businesses with turnover above $20 million, of which 1,830 had turnover above $50 million. New Zealand's company tax rate, at 28%, is already the ninth highest in the OECD and would see New Zealand's rate increase above Australia (which has a 30% rate for large businesses and a 25% rate for businesses with turnover under A$50 million). A high company tax rate acts as an increase in the cost of capital and is a deterrent for foreign investment. Inland Revenue considered this issue in its 2022 Long Term Insights Briefing, where consideration was given to instead reducing the company tax rate. It is worth noting that domestically the company tax rate is viewed as an interim tax until profits are distributed to shareholders, so while smaller companies would benefit from retaining a 28% company rate, shareholders may end up paying the 45% top personal tax rate eventually.

The Green Party policy is silent as to whether other tax rates would move to match the change in company and personal tax rates, for example, whether the top Portfolio Investor Rate would increase above 28% or the trustee tax rate would increase from the current 39% rate.

### The Opportunity Party

The Opportunity Party (TOP) has never reached the threshold to enter Parliament, but early polling suggests this may be its best prospect of reaching the 5% MMP threshold. For some, TOP may be a protest vote against the status quo, but for others there may be some appeal in the radical "tax reset" proposed by the party.

At the centre of TOP's policy is a proposal to move away from overreliance on taxes on income and instead tax land. The social welfare system would be completely overhauled through an annual tax-free payment of $19,400 to every adult (this would be paid fortnightly). This is known as "citizens' income", or more commonly as "universal basic income" (UBI). While existing benefits would be abolished, additional amounts would be paid to certain citizens, including new parents, sole parents and superannuitants (with the additional payment abating if household income exceeds $50,000).

Existing personal tax rates would be replaced by three new brackets:

- Income up to $50,000: 28%
- Income between $50,000 and $200,000: 34%
- Income above $200,000: 39%

When the UBI is combined with personal tax rates, all New Zealanders would pay less personal tax (and those earning less than ~$65,000 pay less tax than the UBI received).

While less tax is paid on labour, landowners will be subject to a substantial land value tax (LVT). Aside from collecting the necessary tax to pay for the citizens' income, the LVT aims to redirect investment from speculative investment in land to more productive uses. The LVT, which is forecast to raise $24 billion per year, would be set at 1.75% of the unimproved value of urban land and 0.5% of the value of rural land. Buildings and other land improvements are not subject to the tax. It is acknowledged that the LVT may create hardship for asset-rich and cash-poor superannuitants, so the tax will be able to be deferred until death. TOP anticipates that an LVT will result in land values falling by 10–15%.

Savings are also encouraged by TOP with a proposal to introduce "KiwiSaver 2.0". KiwiSaver contributions would increase to 12%. There will be no ability to access KiwiSaver balances for hardship or first-home deposits. All KiwiSaver contributions will be exempt from income tax, with a proposal to also exempt earnings by KiwiSaver funds from tax progressively over 20 years. The policy does not explain whether KiwiSaver withdrawals will instead be subject to tax. The tax cost of allowing pre-tax income to be contributed to KiwiSaver and investment savings to be exempted from tax is not costed; rather, it is simply noted that the New Zealand Superannuation Fund will pay for the tax exemptions.

In addition to the "tax reset", TOP has also released an [economic policy] proposing increased research and development support. The policy states: "It will allow claiming back as a tax credit up to 25% of the cost of rolling out high-tech solutions such as AI and digital platforms, new plant and machinery and networked or autonomous equipment." This change is expected to double the $600 million currently spent annually on the research and development tax incentive. TOP also proposes a new type of company known as an "impact company". People investing in impact companies will be able to claim up to $100,000 annually as a tax deduction.

## Comment

The outcome under the tax reset is that those who currently don't have assets may find themselves materially better off, whereas those who do have property assets, including rental properties, or above-average incomes are likely to be paying materially more tax. TOP provides a tax calculator so taxpayers can understand the personal impact of the tax reset.

The concept of a UBI may have some appeal if it were to truly remove all the administrative and compliance costs of running social welfare systems, but it comes with a substantial fiscal cost. There are legitimate questions to answer as to whether society would be better off or whether the existence of a UBI (with high tax rates on the first dollar earned) provides incentives to work. Some limited trials of UBIs have indicated that, while recipients were generally happier from having a UBI safety net, they were not more likely to obtain employment.

The KiwiSaver changes are significant. Moving from our existing Tax-Tax-Exempt (TTE) framework for taxing savings to an Exempt-Exempt-Tax (EET) framework is a major shift but is addressed only briefly in the policy paper. The 2017 Tax Working Group looked at the taxation of savings, and estimated that if KiwiSaver contributions remained at 3%, the fiscal cost of moving to EET would be between $2.1 billion and $2.5 billion per year and would require a 30-year transition period.

The idea of introducing a land tax has been toyed with periodically as land taxes are viewed as being "less distortionary" with relatively low administrative and compliance costs. Inland Revenue's 2026 LTIB also provided commentary on this alternative tax base. New Zealand already has a land tax in the form of local government rates, and the LTIB notes that only three OECD countries raise more land tax as a percentage of GDP than New Zealand.

According to the LTIB (which references previous reviews and studies), a land tax "would be expected to cause the value of land to fall by a lump sum equal to the net present value of expected future land tax liabilities. As a result, land taxes are a lump sum tax on those who own land when the tax is introduced."
The LTIB identifies significant equity and political challenges. A land tax would be horizontally inequitable because it would fall on existing landowners rather than future purchasers, and because it taxes wealth held in land but not wealth held in other assets. It could create cashflow problems for asset-rich but income-poor owners, materially affect highly leveraged borrowers, and disproportionately impact land-intensive sectors such as farming and forestry. When viewed in conjunction with the UBI, a land tax may result in upward pressure on rents as landlords seek to cover increased tax costs.

Inland Revenue's LTIB analysis suggests land tax liabilities would generally rise with income, indicating some progressive characteristics, but it also highlights concerns for Māori landowners. TOP have suggested concessions designed to counter some of the challenges including exemptions for communally owned Māori land, conservation land, land owned by club, societies and non-commercial religious organisations, local and central government, treaty settlement land and social housing. Tax deferrals will also be available for the elderly (with payment due when a property is sold) and farmland.

## Conclusion

Tax reform is firmly back on the political agenda. While under a MMP environment neither package is ever likely to be enacted in its entirety, both signal growing pressure to broaden the tax base, reduce reliance on labour income, and address perceived inequities in the taxation of wealth, land and capital. For taxpayers, the immediate issue is not whether these specific proposals become law, but whether the election campaign accelerates a broader debate about who should bear the tax burden, and how much change New Zealand's tax system can absorb. Tax Alert will continue to monitor election tax policies as they are released.

### Contact

**Robyn Walker**
**Partner**
robwalker@deloitte.co.nz
+64 4 470 3615

# Tax simplification in practice: three years of incremental reform

By Robyn Walker

While Deloitte's Global Tax Policy Survey indicates that compliance costs are on the rise for multinational businesses, when it comes to New Zealand's domestic law, the current Government has had a sustained focus on lowering compliance costs and removing barriers to investment.

The current Minister of Revenue, Hon Simon Watts, has taken the view that New Zealand's tax system is broadly fit for purpose. Rather than pursuing wholesale changes to tax bases, the Government has focused on incremental, practical changes to address issues as they arise. Many of these changes address small irritants. Individually, they may appear modest, but collectively they point to a shift away from using tax policy to influence behaviour, such as the previous denial of interest deductions for residential property, and towards making tax easier to comply with. The residential solar power exemption is one example. Proposed changes to the fringe benefit tax treatment of motor vehicles and non-resident contractors tax may also materially reduce compliance effort.

Looking back over the last three years, there have been many tax policy changes which have helped incrementally improve the tax system. This article highlights some of the more significant taxpayer-favourable changes from the last three years.

## Budget 2026 announcements

Budget 2026 included a wide range of tax announcements, some of which have already been enacted, and others which are expected to be included in a taxation bill before Election 2026.

| Change | Status | Impact |
|---|---|---|
| **Fringe benefit tax reform for motor vehicles:** amend the way FBT applies to motor vehicles to better focus the tax on scenarios where there is a benefit being received by the employee. Change the rules so that the type of vehicle doesn't influence whether exemptions are available. Reduce rates of tax on hybrids and electric vehicles. | Proposal | Reduced compliance costs and fairer tax outcomes. |
| **Membership subscriptions and levies:** the law will be changed to reinstate the status quo for membership bodies and not-for-profits after a change in Inland Revenue interpretation of the law. | Proposal | Reduced compliance costs. |
| **Tax-free threshold for not-for-profits:** the law currently effectively allows not-for-profits to earn up to $1,000 of net income and remain outside of the tax net. This threshold will be increased to $10,000. It will also be confirmed in legislation that income tax returns are not required to be filed by not-for-profits below the $10,000 threshold. | Proposal | Reduced compliance costs. |
| **Donation tax credits:** allow individuals to receive donation tax credit refunds during the year rather than needing to wait until an income tax return is filed. A mechanism will be introduced to allow donors to transfer a donation tax credit to the charity. | Proposal | Reduced compliance costs. |
| **Non-resident contractors tax exemption for aircraft leasing:** because contracts require New Zealand customers to gross up payments for tax, a change has been made to exempt such payments from NRCT. | Enacted | Removal of an unnecessary tax cost. |
| **Non-resident contractors tax:** increase the de minimis exemption from $15,000 to $75,000 to allow small contracts to be excluded from NRCT, and introduce a single payer view to make it easier to assess whether NRCT applies. It is proposed to exempt certain low risk entities (which are already filing New Zealand tax returns) from the NRCT regime. | Proposal | Reduced compliance costs and fairer tax outcomes. |
| **Working For Families:** removal of some of the complexities in the regime to make it fairer. | Enacted | Reduced compliance costs. |
| **Foreign Investment Fund rules:** expand the ability to use the "revenue account method" to New Zealand taxpayers and increase the FIF de minimis threshold from $50,000 to $100,000. | Proposal | Reduced compliance costs and fairer tax outcomes. |
| **Financial arrangements:** allow some taxpayers to remove foreign exchange rate volatility from financial arrangement calculations. | Proposal | Reduced compliance costs and fairer tax outcomes. |
| **Research and Development Tax Incentive:** all tax credits to be received during the year rather than having a long delay. The Commissioner will be given a discretion to accept late returns and amend minor administrative errors. The mining sector will be able to access the RDTI on an equal footing with other industries. | Proposal | Reduced compliance costs and fairer tax outcomes. |

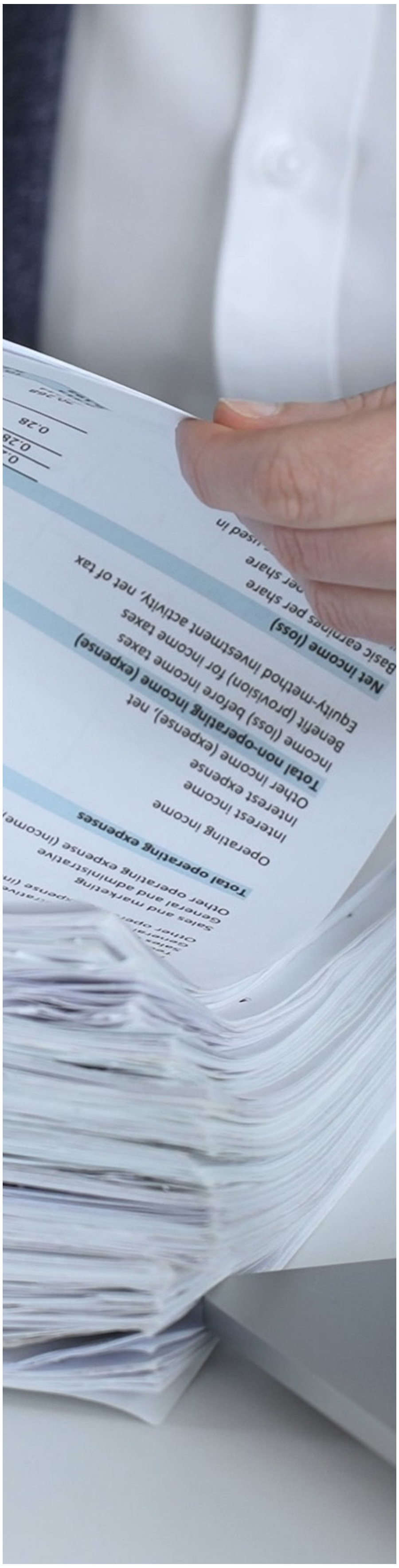
### Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Act 2026

This amendment Act included over 80 amendments, which were generally intended to remove barriers to investment, simplify tax rules, or ensure tax rules apply as intended.

| Change | Impact |
|---|---|
| **Digital nomads:** exemption from tax for individuals temporarily in New Zealand and working for a foreign employer, or who are self-employed. | Reduced compliance cost. |
| **Foreign Investment Fund rules:** introduction of the "revenue account method" to reduce the negative impact of the FIF rules on new migrants and returning New Zealanders. | Reducing barriers to taxpayers remaining in New Zealand and fairer tax outcomes. |
| **Thin capitalisation rules for infrastructure investment:** an exemption from the thin capitalisation rules for qualifying infrastructure projects financed by third party debt. | Reducing a barrier to investment in New Zealand. |
| **GST and joint ventures:** an amendment to allow the GST treatment of joint ventures to match historic treatment following a contrary Inland Revenue interpretation. | Reduced compliance costs. |
| **Employee share scheme deferral regime:** allowing employers and employees to elect to defer the taxing point under an employee share scheme until there is a liquidity event. | Reducing barriers to using employee share schemes. |
| **Income tax exemption for the sale of residential solar power:** introducing a tax exemption to remove the need to otherwise pay tax on amounts received from selling solar power into the grid. | Reduced compliance costs. |
| **Income tax debt pilot using tax pooling industry:** introducing a new temporary option for historic income tax debt to be repaid using tax pooling funds. | Providing an incentive for tax debt to be dealt with. |
| **GST record-keeping requirements:** removing the need for businesses selling goods valued at more than $1,000 to end consumers to collect purchaser details. | Reduced compliance costs. |
| **Gift cards and FBT:** amending the law to ensure gift cards are subject to FBT (but also allowing employers to choose to pay PAYE if they prefer) after an Inland Revenue interpretation indicating that PAYE applied. | Reduced compliance costs. |
| **FBT vs PAYE:** amending the law to make it easier for an employer to choose to pay tax through FBT rather than PAYE when reimbursing employees. | Reduced compliance costs. |
| **FBT and personal protective equipment:** amending the law to ensure that FBT does not apply to protective clothing such as hard hats. | Reduced compliance costs and fairer outcomes. |
| **Financial arrangement rules:** increasing thresholds to allow more taxpayers to use the simpler 'cash basis person' rules and repealing the need to undertake deferral calculations. | Reduced compliance costs. |
| **Alignment of contractor definition:** amending tax law to ensure that specified contractors under the Employment Relations Act are also contractors for tax purposes. | Reduced compliance costs. |

### Taxation (Budget Measures) Act 2025

| Change | Impact |
|---|---|
| **Investment boost:** ability to claim an upfront 20% investment boost deduction on the cost of new assets. | Reduced barriers to purchasing new assets. The incentive applies broadly in a low-compliance-cost way. |



### Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act 2025

This amendment Act included over 80 amendments, which were generally remedial in nature and designed to ensure tax rules apply as intended.

| Change | Impact |
|---|---|
| **Emergency response rules:** creation of a set of tax concessions which can be easily switched on and off in the event of emergencies. | Reduced compliance costs and increased certainty. |
| **Approved Issuer Levy:** allowing securities to be retrospectively registered when minor historical errors have prevented the AIL regime from applying. | Fairer outcomes. |
| **Overseas pensions:** addressing issues that affect the transfer of pension funds to New Zealand. | Reduced compliance costs. |
| **Exempt employee share schemes:** increased thresholds to allow higher values of shares to be offered to employees. | Reduced compliance costs. |
| **Wide range of remedial GST changes:** 23 changes were made to tidy up minor issues with the GST Act. | Reduced compliance costs. |
| **Health and safety benefits:** introducing an exemption from PAYE for health and safety benefits to match the FBT exemption. This makes it easier for employers when trying to provide benefits like flu injections. | Reduced compliance costs. |
| **Bright-line test:** a number of amendments to ensure the bright-line test works as intended. | Reduced compliance costs. |
| **Research and development:** extending the due date for RDTI general approvals. | Reduced compliance costs. |

### Taxation (Budget Measures) Act 2024

| Change | Impact |
|---|---|
| **Personal income tax changes:** the Budget contained the first substantive changes to personal tax thresholds for many years. | Tax savings for individuals. |
| **Research and Development Tax Incentive error correction:** a change to allow the Inland Revenue to accept an RDTI application when it was made in the wrong taxpayer name. | Fairer tax outcomes. |

### Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Act 2024

This Bill was first introduced under the previous Labour Government. Only changes added to the Bill after the change in Government are listed below.

| Change | Impact |
|---|---|
| **Restoring interest deductibility:** the rules which denied interest deductions for landlords were repealed. | Fairer tax outcomes and reduced compliance costs due to the complexity of the repealed rules. |
| **Bright-line test changed to 2 years:** the bright-line test was simplified by returning it to be for a two-year period rather than a 10-year period. | Reduced compliance costs due to the complexity of the 10-year rule. |
| **Donated trading stock**: an amendment was made to trading stock rules to ensure that when businesses donate stock (for example to charities) it does not create an income tax liability for the donor. | Reduced barrier to social good, fairer tax outcomes, and reduced compliance costs. |

If you have questions about any of these items, please contact your usual Deloitte advisor.

### Contact

**Robyn Walker**
**Partner**
robwalker@deloitte.co.nz
+64 4 470 3615

# The rising tide of tax complexity

By Robyn Walker

## Deloitte's 2026 Global Tax Policy Survey finds rising tide of compliance and complexity is the biggest tax challenge facing global businesses.

### Key takeaways

- The biggest tax policy impacts are driven by growing complexity and compliance requirements—almost 40% of respondents see the rising compliance burden as their biggest issue.
- Digitalisation is delivering benefits in tax administration, with the promise of more to come. But the implementation of new systems brings challenges; for example, on e-invoicing, the survey reveals declining optimism about its benefits, dropping from 59% in 2024 to 36% in 2026.
- Tax incentives are increasingly opening up new opportunities for businesses as governments offer more subsidies and reliefs to compete for investment and talent.

Deloitte's 2026 Global Tax Policy Survey of 1,010 tax and finance leaders across 28 jurisdictions (including 305 from the Asia Pacific region) reveals that organisations are facing increased tax complexity, growing compliance burdens and high upfront costs to reap the benefits of digitalization.

"The rising tide of complexity and compliance burdens is having a huge impact on global businesses," says **Amanda Tickel, Deloitte Global Tax and Trade Policy Leader.** "For example, 84% of those surveyed expect more public tax disclosures and reporting in the next two to three years, while even in areas like tax digitalisation—where simplification might be expected—leaders are becoming less optimistic about near-term benefits."

The survey shows that complexity is a challenge across all regions and all industry sectors. It comes from multiple sources, including Pillar Two compliance and public country-by-country reporting.

There have been moves toward simplification, such as the additional safe harbours in the Pillar Two Side-by-Side package. But more is needed as 41% of respondents believe further simplification of Pillar Two compliance should be a priority.

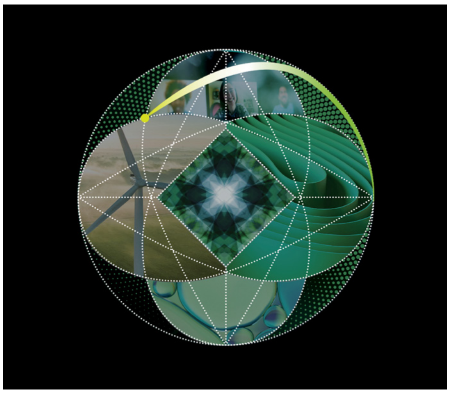
With Pillar Two now agreed and in its implementation phase, it is notable that 68% of respondents expect to either pay no more tax or only marginally more tax as a result. This raises questions of proportionality: are the costs, complexities and burdens of Pillar Two justified by the level of additional tax raised?

### What else does the report reveal?

**Tax complexity is the top issue affecting global tax and finance leaders in 2026**
Growing reporting, compliance, and administrative demands are intensifying across themes; with 40% of respondents identifying increasing compliance demands as the primary driver of operational impact across the business, and 84% expecting more public tax disclosures in the next two to three years.

**Simplifying Pillar Two remains critical, even as implementation moves forward**
While the additional Safe Harbours from the Side-by-Side package have been welcomed as delivering some simplification, more is needed as 41% of respondents still see further simplification as a key future priority for international coordination.

**For investment decisions, tax stability and certainty matter more than the overall tax burden**
When considering investment jurisdiction, 60% rate stability and certainty as the most important deciding factor, versus 52% for the overall tax burden.



**Digitalisation and AI are raising expectations for tax transformation, but the benefits are not immediate**
85% of respondents now expect AI-based tax compliance software to deliver positive impacts, organizations are seeing gains in accuracy and efficiency, but data quality, governance, and implementation costs are slowing down the benefits of digital tax transformation.

**Tax incentives are becoming a key aspect of tax competition**
Governments are increasingly using incentives to influence investment, talent, and sustainability outcomes.


### Contact

**Robyn Walker**
**Partner**
robwalker@deloitte.co.nz
+64 4 470 3615

# A modern replacement?
## New UK-NZ tax treaty signed

By Annamaria Maclean, Sam Mathews and Hamish Butterworth-Snell

The soon-to-be revamped double tax agreement (DTA) between New Zealand and the United Kingdom (UK-NZ DTA) is a helpful but thorny step in aligning New Zealand's cross-border tax rules with its major trading partners.

It also comes at a time when several other New Zealand DTA developments appear to be on the cards, including signed but not yet in force arrangements with Belgium, Croatia and Iceland, and negotiations involving Australia, Fiji, Germany, Hungary, the Netherlands, Portugal, Slovenia and South Korea.

The new UK-NZ DTA includes several major changes, with the main headlines being an ability to reduce dividend withholding rates to zero percent in some instances, and the introduction of new permanent establishment triggers. As such, if you have United Kingdom – New Zealand cross border activities, it would be worthwhile considering how the new DTA will apply to your structure once it is in force.

### Background

New Zealand and the United Kingdom signed a new double tax agreement on 1 June 2026. Negotiations formally began in March 2020, though we understand that the new DTA has been under discussion for the last 15 years. The DTA will replace the 1983 agreement (as amended with protocols in 2003 and 2007, and by the Multilateral Convention in 2018). Given that it has been almost 20 years since its last update, the new DTA has a variety of changes relevant to United Kingdom and New Zealand groups, cross-border investors, financiers, and individuals operating across both countries.

**The key changes include:**

- Expanded permanent establishment rules;
- Reduced withholding tax rates for certain dividends;
- Overarching treaty anti-avoidance rules, including an anti-treaty abuse test, rather than article-specific anti-avoidance measures;
- New exemptions for certain interest payments;
- Updated royalty definition;
- Removal of the separate independent personal services article; and
- Enhanced mutual agreement procedure provisions, including arbitration in some cases.

The new DTA is not yet in force. It will enter into force once both countries have completed their domestic procedures and notified each other through diplomatic channels.

### Permanent establishment rules

The permanent establishment (PE) article has been substantially updated.

Generally, where a taxpayer of a country has a PE in another country, the latter will have a right to tax income attributable to the PE. The new DTA introduces two new ways to create a PE:

1. **Services PE rule:** where services are performed in the other country through an individual present for more than 183 days in any 12-month period and more than 50% of the gross revenue relates to these services; and
2. **A natural resources PE rule:** where an enterprise carries on activities for 183-days in any 12-month period which relates to the exploration for or exploitation of natural resources (including standing timber).

Note, the existing treaty already contained a separate provision dealing with income from these types of natural resource activities, so the change is more about how the rule is structured than a wholly new taxing right.

In addition to the two new PE rules, there are several other PE-related changes including:

- The construction PE threshold is reduced from more than 12 months to more than 6 months, now also covering assembly projects and related supervisory activities;
- An aggregation rule adding together connected activities at the same site or project when testing whether a PE time threshold is met;
- An anti-fragmentation rule to prevent an enterprise or closely related enterprises from artificially splitting a cohesive business operation into separate activities;
- A broader dependent agent PE rule, including where a person plays the principal role leading to contract conclusion; and

- Limitation on the independent agent exclusion where the person acts exclusively or almost exclusively for closely related enterprises.

These changes are relevant for groups with personnel, contractors, sales teams, project activity, or natural resource operations in the other country. Existing operating models should be reviewed.

## Dividends

The dividend article in the new DTA has been materially updated.

Under the existing treaty, dividends paid by a company resident in one country to a beneficial owner resident in the other country are generally subject to a 15% source-country withholding tax cap.

The new DTA keeps the 15% cap for ordinary cases but introduces lower rates in specific circumstances, including:

- 5% where the beneficial owner is a company that directly holds at least 10% of the voting power in the dividend-paying company for a 12-month period ending on the date the dividend is declared;
- 0% for certain government and sovereign investors, subject to conditions; and
- 0% for certain companies holding 80% or more of the voting power in the dividend-paying company for a 12-month period, where additional listing, ownership, equivalent-benefit or competent authority requirements are met.

## Treaty access and anti-avoidance

The new DTA introduces a dedicated entitlement to benefits article, which gives the treaty a broader anti-abuse rule than the current DTA. In simple terms, treaty benefits can be denied where one of the main purposes of an arrangement is to access those benefits, or where income is routed through a low-taxed permanent establishment in a third country.

Although the current DTA included anti-avoidance measures, these measures were incorporated into specific provisions. The change to an overarching avoidance article emphasises that taxpayers should assess the commercial rationale of their cross-border arrangements in their totality rather than considering specific treaty articles. For most taxpayers, this should not be a material change.

## Other changes

Additionally, some other important changes include:

- Interest: withholding tax rate remains capped at 10%, with new exemptions for certain sovereign investors, pension funds, and financial institutions, subject to conditions and approved issuer levy carve outs.
- Royalties: withholding tax rate remains capped at 10%, with an expanded definition (including media, broadcasting, and similar rights) and removal of the equipment leasing reference.
- Independent personal services: separate article removed, with income now dealt with under the business profits article and PE rules.
- Introduction of arbitration where disputes are unresolved after two years, subject to exclusions (including certain New Zealand anti-avoidance cases).

Some of these changes are technical in nature and are only likely to apply in very particular instances.

## Treaty rate comparison

The new UK-NZ DTA withholding rates are in alignment with other current New Zealand DTAs:

| Country | Dividends | Interest | Royalties |
|---|---|---|---|
| United Kingdom* | 0%, 5%, or 15% | 0% or 10% | 10% |
| China | 0%, 5%, or 15% | 0% or 10% | 10% |
| Australia | 0%, 5%, or 15% | 0% or 10% | 5% |
| United States | 0%, 5%, or 15% | 0% or 10% | 5% |

*New UK-NZ DTA rates.
These are headline treaty rates only. The actual withholding position will depend on the character of the payment, beneficial ownership, shareholding level, holding period, whether any special exemption applies, and any domestic law requirements such as approved issuer levy for certain New Zealand-sourced interest.

## Final thoughts

Delays aside, the new DTA is a long-awaited update to the United Kingdom-New Zealand tax treaty framework and in many cases the new DTA should provide improved outcomes, particularly for certain dividend payments.

For taxpayers with cross-border activities in the United Kingdom and New Zealand, we would recommend revisiting tax treatments and taxable positions with a particular focus on:

- Existing and proposed cross-border financing arrangements;
- Dividend flows and relevant shareholding periods;
- Activities that could create a PE under the expanded PE rules;
- Structures involving partnerships, trusts or other fiscally transparent entities; and
- Whether treaty benefits remain supportable under the new principal purpose test.

If you have any questions about how the new DTA may affect your arrangements or broader tax positions, please contact your usual Deloitte advisor.

## Contact


**Annamaria Maclean**
**Partner**
anmaclean@deloitte.co.nz
+64 9 303 0782

**Sam Mathews**
**Partner**
smathews@deloitte.co.nz
+64 9 303 0746

**Hamish Butterworth-Snell**
**Consultant**
hbutterworthsnell@deloitte.co.nz
+64 9 953 612

# Snapshot of recent developments

## Tax legislation and Policy Announcements

### Public Remedials Log update: April and May 2026

The Public Remedials Log has recently been updated to include changes to legislation that have been enacted, as well as remedial submissions that have been accepted and are progressing towards being included in a future Bill.

## Inland Revenue Technical updates

### Question We've Been Asked: Income tax – portfolio investment entity income from land development activities

On 26 May 2026, Inland Revenue published question we've been asked QB 26/03: *Income tax – portfolio investment entity income from land development activities.* The QWBA confirms that income derived from developing land, dividing it into lots and/or erecting buildings on the land for the purpose of sale is eligible income for a portfolio investment entity under s HM 12 of the Income Tax Act 2007. The draft QWBA was discussed in our March 2026 Tax Alert.

### Determination: Income Tax (National Average Market Values of Specified Livestock) 2026

On 28 May 2026, Inland Revenue published determination NAMV 2026: *Income Tax (National Average Market Values of Specified Livestock) Determination 2026.* The determination establishes the national average market value (NAMV) of specified livestock for 2026 and entered into force on 29 May 2026.

### Inland Revenue: Tax Information Bulletin – June 2026 (Vol 38, No 5)

On 2 June 2026, Inland Revenue issued its June 2026 Tax Information Bulletin. The Tax Information Bulletin covers the following recent tax developments:

**Act commentary**

- Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Act 2026

**Determinations**

- DET 26/03: Declaration that the Wellington severe weather event in April 2026 is an emergency event for the purpose of family scheme income.
- DET 26/04: Tax Administration (Deemed Rate of Return on Attributing Interest in Foreign Investment Funds, 2025-26 Income Year) Determination 2026.
- NAMV 2026: Income Tax (National Average Market Values of Specified Livestock) Determination 2026.

**Ruling**

- BR Prd 26/08: Kiwibank Limited

**Interpretation statement**

- IS 26/11: GST – Court-awarded costs and disbursements.

**Commissioner's statement**

- CS 26/02: GST treatment of low value pre-registration acquired goods and services.

**QWBA**

- QB 26/02: When does the fringe benefit tax exclusion for benefits relating to health or safety apply?
- QB 26/03: Income tax – portfolio investment entity income from land development activities.

**Technical decision summary**

- TDS 26/04: Off-market share cancellation
- TDS 26/05: Off-market share cancellation
- TDS 26/06: Living trust, bare trust, distributions

### Interpretation Statement: Working for Families Tax Credits and family scheme income

On 18 June 2026, Inland Revenue published Interpretation Statement IS 26/12: *Working for Families tax credits and family scheme income* and an accompanying fact sheet. The Statement gives an overview of eligibility for Working for Families Tax Credits and discusses the adjustments required to a person's net income to determine family scheme income. Inland Revenue will publish a revised statement incorporating the Working for Families changes recently announced in the 2026 Budget on or before 1 April 2027, when the enacted changes take effect.

### 2026 CPI adjustment to Operational Statements and Determinations

On 18 June 2026, Inland Revenue issued CPI adjustments to Operational Statements and Determinations which provide the following standard rates for the 2026 income year:

- OS 19/03 (CPI 2026): The square metre rate for the dual use of premises is $57.30.
- DET 19/02 (CPI 2026): The daily standard-cost of household service (per guest) for short-stay accommodation is:
  - $65.00 for owned dwellings; and
  - $59.00 for rented dwellings.
- DET 19/01 (CPI 2026): The standard weekly cost (per boarder) for household boarding service providers is $245.00.
- DET 09/02 (CPI 2026): The standard-cost household service for childcare providers is:
  - $4.70 hourly standard cost (per child); and
  - $460.00 annual fixed administration and record keeping standard cost.

## Tax Cases and Technical Decision Summaries

### Case Summary: Taxpayer's judicial review of the TCRA's unless order successful

On 5 May 2026, Inland Revenue issued case summary CSUM 26/04: *Taxpayer's judicial review of the TCRA's unless order successful.* This case concerned a taxpayer whose tax challenge was struck out after they failed to comply with an "unless order" issued by the Taxation Review Authority (TRA). The taxpayer sought judicial review, arguing that the process was unfair. The High Court agreed, finding that the TRA made procedural errors by providing for the order to be sealed without notice and by striking out the proceedings without first giving the taxpayer an opportunity to explain or seek relief from their breach. The Court set aside the strike-out decision and allowed the taxpayer to apply to the TRA for relief.

### Product Ruling: Kiwibank Limited

On 20 May 2026, Inland Revenue published BR Prd 26/08: Kiwibank Limited. The product relates to the Kiwibank Offset Mortgage, which is a loan feature that allows a borrower's home loan (or eligible term loan) balance to be offset against the aggregate credit balances of selected bank accounts held by the borrower and/or certain eligible related persons (such as spouses, parents, or children). Interest is not calculated on the gross loan balance but instead on a net notional balance, being the loan balance reduced by the credit balances of up to eight linked accounts. This offsetting mechanism reduces the interest payable and increases the proportion of repayments applied to principal.

The product was held to be compliant with various provisions of the Income Tax Act 2007, subject to the conditions that all interest rates relating to the product are arm's length market interest rates and the offset ratio applied to credit account balances does not exceed one.

### Case Summary: Costs awarded to Commissioner as successful party – no basis for a reduction

On 25 May 2026, Inland Revenue issued case summary CSUM 26/05: *Costs awarded to Commissioner as successful party – no basis for a reduction.* This case concerned a dispute over legal costs following the unsuccessful appeal of tax assessments and evasion shortfall penalties. After the Commissioner successfully defended the appeal, the taxpayer argued that the Commissioner had only achieved partial success and that the costs award should be reduced. The High Court rejected that argument, finding that the taxpayer had been comprehensively unsuccessful on the matters in issue. The Court therefore awarded the Commissioner full scale costs, including higher band C costs, the costs of preparing the common bundle of documents, and the costs of engaging a second counsel.

### Technical Decision Summary: Living trust, bare trust, distributions

On 29 May 2026, Inland Revenue published technical decision summary TDS 26/06: *Living trust, bare trust, distributions.* The Technical Decision Summary summarises a private ruling that considered the proposed amendment to a living trust deed and the later distribution of the trust's assets to one of the specified beneficiaries when the last of the trustors dies.

An overseas trust was established by grandparents who retained complete control over the trust assets during their lifetimes, including the ability to revoke or amend the trust and access all its income and capital. The Commissioner concluded that, because of this level of control, the arrangement was not treated as a valid trust for New Zealand tax purposes while either grandparent was alive. Once the last surviving grandparent died, however, the arrangement became a bare trust, with the beneficiaries effectively treated as owning the assets directly. As a result, transfers of the assets to the beneficiaries were not treated as taxable distributions from a foreign trust and were not subject to New Zealand income tax.

### Case Summary: High Court allows leave to appeal and orders backdating of charities reregistration

On 24 June 2026, Inland Revenue issued case summary CSUM 26/06: *High Court allows leave to appeal and orders backdating of charities reregistration.* This case concerned a charitable entity that was deregistered after repeatedly failing to file its annual returns and later sought to challenge both the deregistration and the limited backdating of its re-registration. The Court refused to allow a late appeal against the deregistration, finding that the delay was substantial, unexplained, and that the deregistration was justified given the ongoing non-compliance.

However, the Court allowed a late appeal against the backdating decision and concluded that the charity's re-registration should be backdated further because it had continued to meet the substantive requirements for charitable status. To prevent disproportionate tax consequences arising from the deregistration, the Court ordered the re-registration to be backdated, subject to the charity filing all outstanding returns within a specified timeframe.

## Inland Revenue Media Releases and Operational Updates

### Inland Revenue: Fees Free will finish at the end of 2026

On 28 May 2026, Inland Revenue issued a reminder that the Fees Free scheme for the final year of tertiary study and the final two years of work-based learning will end in 2026. Qualifications and programmes ending after 31 December 2026 will cease to be eligible.

### Inland Revenue: Tax agents survey results – (Jan-Mar 2026)

On 2 June 2026, Inland Revenue published the results of its Tax Agents Voice of the Customer (TAVOC) survey for January to March 2026. 94% of tax agents reported overall satisfaction with Inland Revenue, 89% reported that they trust Inland Revenue, and 90% reported finding information and process checks at least somewhat easy to comply with.

### Inland Revenue: Changes to how taxpayer ruling applications are submitted

On 10 June 2026, Inland Revenue advised that from September 2026 there will be an updated process for submitting private, product and status ruling applications to support how taxpayer rulings are requested and managed. Importantly, taxpayer ruling applications (including requests for pre-lodgement meetings), will have to be submitted through myIR.

### Inland Revenue: Individual income tax assessments - More information request letters

On 16 June 2026, Inland Revenue announced that they will be sending out letters to taxpayers seeking more information regarding their individual income tax assessments until the end of July. For taxpayers without an extension of time, the assessment must be completed within 45 days from the date that the letter is issued. Taxpayers with an extension of time have until 31 March 2027 to respond to the assessment.

### Inland Revenue: Working with Baycorp to collect overdue tax debt

On 16 June 2026, Inland Revenue announced that Baycorp will contact some taxpayers with debt that has been overdue for more than 6 months by phone, email, SMS or letter. Baycorp acts on behalf of Inland Revenue to contact and engage with taxpayers with outstanding debt, but all debt repayments must still be made directly to Inland Revenue.

### Inland Revenue: Online Gambling Duty (OGD)

On 16 June 2026, Inland Revenue announced that from 1 May 2026 the Offshore Gambling Duty will be renamed to the Online Gambling Duty (OGD).

### Inland Revenue: Protecting your myIR account and client information

On 17 June 2026, Inland Revenue warned that there have been an increasing number of attempts to gain unauthorized access to tax agent myIR accounts, by malicious links which install malware onto the user's device.

### Inland Revenue: Paid parental leave

On 23 June 2026, Inland Revenue announced that from 1 July 2026, eligible employees and self-employed people will have an increase in the parental leave payment from $788.66 to $811.05 per week before tax. The minimum rate for self-employed people will increase from $235 to $239.50 per week.

## International updates

### Australian Draft Determination: Wine Equalisation Tax - New Zealand Producer Rebate Foreign Exchange Conversion

On 25 May 2026, the Australian Deputy Commissioner of Taxation published draft determination *A New Tax System (Wine Equalisation Tax) (New Zealand Producer Rebate Foreign Exchange Conversion) Determination 2026*. The Determination applies to eligible NZ wine producers and prescribes how a component of the approved selling price of wine denominated in a foreign currency should be converted to AUD. Once finalised, the Determination will repeal and replace t*he Wine Equalisation Tax New Zealand Producer Rebate Foreign Exchange Determination (No. 57) 2016.*

## OECD updates

### GloBE Consolidated Commentary update: tax challenges arising from the digitalisation of the economy

On 28 May 2026, the OECD published updated Consolidated Commentary for the GloBE rules. The updated Commentary incorporates Agreed Administrative Guidance that has been released by the Inclusive Framework from March 2022 through January 2026.

### The impact of population ageing on tax revenues in OECD countries

On 2 June 2026, the OECD published their working paper *The impact of population ageing on tax revenues in OECD countries.* The working paper examines the potential effects of demographic change on tax systems by analysing the distribution of tax bases across age groups and assessing the impact of ageing. It also explores how tax design may further exacerbate revenue pressures.

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

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Tax Alert at **deloitte.co.nz**

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**Amy Sexton**

+64 (9) 953 6012

asexton@deloitte.co.nz



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

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

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

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

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

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

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

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

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