

Tax Alert

Plenty of small, but meaningful, tax changes in Budget 2026

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Plenty of small, but meaningful, tax changes in Budget 2026

By Robyn Walker

It came as no surprise that Budget 2026 didn't deliver an election year lolly scramble of tax cuts, but it has delivered good news to taxpayers who don't like parts of the existing Fringe Benefit Tax (FBT), Foreign Investment Fund (FIF) rules or Non-Resident Contractors Tax (NRCT) rules.

A line is also drawn under the taxation of charities and not-for-profits, providing decisions on reforms after a number of years of speculation. The Research and Development Tax Incentive (RDTI) is also on the receiving end of some tweaks. The announcements continue a theme by the current government of incremental reform, aimed at removing barriers and simplifying compliance costs; no doubt aided by having a chartered accountant in the position of Minister of Revenue. Real life experience of compliance costs has undoubtedly contributed to the long list of individually small but collectively meaningful tax reforms since coming to office in 2023.

It's not all upside for taxpayers, with some additional revenue coming from reductions in donation tax credits, foreign-owned banks being on the receiving end of some technical tax changes, and of course, some additional funding to Inland Revenue to continue to increase enforcement activity.

FBT reform

Inland Revenue consulted on improvements to FBT in early 2025. After a minor hiccup with the proposals being mislabelled as "ute tax 2.0", employers are now expected to benefit from a much simpler FBT regime when it comes to motor vehicles. While detailed documents are yet to be released, the crux of the proposal is to replace the existing rules for calculating FBT on motor vehicles and to instead adopt a categorisation approach whereby a set FBT inclusion rate is applied to a vehicle based on how it is used and the extent of private use available.

Gone will be the days of filling out detailed logbooks. Vehicles, whether they are a ute, or an electric vehicle (EV), should have tax applied based on the level of private use rather than what the vehicle looks like.

The existing FBT rules provide a disincentive for businesses using EVs, so this reform has the potential to materially reduce the cost of EVs for businesses. In the medium term, this will have flow on benefits for households as there will be an increased number of EVs moving into the secondary market as corporate vehicle fleets are refreshed. Expected features of the motor vehicle proposals include:

- Vehicles will be categorised based on the intended use of the vehicle. A vehicle will be placed in one of six categories, with the taxable value of the vehicle being progressively scaled down the less the vehicle is designed to provide the employee with a "perk". If a vehicle has no or very limited private use, the FBT cost may be \$0, even if the car is occasionally taken home by employees.



- Once in a category, employers will no longer have to monitor how the vehicle is used on a daily basis, meaning logbooks may be a thing of the past.
- The formula for how FBT is being amended, with lower FBT being payable for EVs and hybrid vehicles (to reflect the lower running costs), compared with a petrol or diesel vehicle.

The fiscal cost of these changes is modest, at \$600,000 over four years, meaning many taxpayers may still be paying roughly the same amount of tax, but will have reduced compliance costs in doing so. Part of the reason for prioritising this reform is a widespread belief that many taxpayers are not currently correctly complying with the existing law because of its complexity and misconceptions that all utes automatically qualify for a work related vehicle exemption. The approach of simplifying the rules is also expected to result in more active policing that the rules are being followed.

Foreign Investment Fund Regime

Until recently, taxpayers have been quietly hating the FIF regime, and particularly its function as a quasi-wealth tax applying to foreign shares. With many new migrants and returning New Zealanders since the COVID-19 pandemic, there have been more people willing to publicly express their dislike of this form of taxation. New migrants coming to New Zealand qualify for a four-year “tax holiday” on foreign investments, and discovering the financial consequences of the rules once the exemption lifts has led to many high wealth migrants leaving after four years. Broadly, the concern has not been the need to pay some tax, but rather the way the FIF rules calculated tax, resulting in New Zealand tax liabilities when there is no cashflow to fund it (especially for unlisted shares which can't be sold), and potential double tax issues due to mismatches between when New Zealand and other countries are imposing tax.

This resulted in consultation in late 2024 and an announcement in early 2025 of a new method of calculating FIF income for a subset of investors. This new methodology, known as the “revenue account method” (RAM), [was enacted into legislation in March 2026](#), with effect from 1 April 2025. In short, certain investors are able to elect out of the annual tax on unrealised gains in share value and instead pay tax on capital gains at the time an unlisted share is sold and a gain is realised; with a 30% discount applied.

The application of RAM is currently limited to new migrants and returning New Zealanders who have been away for more than 5 years. That still left many taxpayers continuing to be unhappy with the rules.

Budget 2026 now extends the eligibility to use RAM to “all New Zealand taxpayers, noting this is expected to be limited to just natural persons and family trusts. The entry point into the FIF rules has been holding offshore investments costing \$50,000 (excluding listed Australian shares). This threshold has been left unchanged for a considerable period of time, and Budget 2026 increases this to \$100,000.

Undertaking FIF calculations can be complicated and this extension will be welcome by many taxpayers who are increasingly dabbling in share investment.

While complicated tax calculations won't be necessary to calculate FIF gains, taxpayers will remain taxable on dividends when they are received. Any gain on the sale of shares will be taxable if the shares were acquired with the intention of disposal (i.e. applying normal tax rules, explained [here](#)).

Financial Arrangements Rules

As a complementary change to the FIF reforms, it is also proposed to simplify the financial arrangement rules for many taxpayers by removing foreign exchange movements on low-risk foreign currency arrangements from the rules. This will be very welcomed by taxpayers who have received unexpected tax bills on unrealised exchange movements. Some amendments may only apply to migrants, we are waiting for the release of further detail.

Research and Development Tax Incentive (RDTI)

The current version of the RDTI has been in place since 2019. The RDTI legislation included a mandated requirement to review the effectiveness of the regime after 5 years of operation. This review was undertaken and it made a number of recommendations to improve the regime. Budget 2026 gives with one hand with some improvements, but takes with the other by reducing some of the caps on eligible spend.

The changes are:

- Introducing in-year payments of the RDTI to better support cashflow.
- Introducing a new administrative discretion to allow Inland Revenue to accept late returns or correct administrative errors.
- Extending the regime to allow mining companies to qualify on an equal footing with other industries (currently they are effectively locked out of the regime).
- Significantly reducing the cap on non-administrative internal software from \$25 million to \$3 million (this change alone is expected to save Inland Revenue \$87 million in RDTI over four years).

Non-Resident Contractors Tax (NRCT)

NRCT is a difficult tax to comply with and Budget 2026 provides certainty that some improvements are coming. Proposals for reform were first mooted several years ago, with some improvements put in place under the previous Government. These reforms will continue to make the regime less onerous:

- Increasing the de minimis threshold from \$15,000 to \$75,000
- Introducing a “single payer view” when assessing eligibility for exemptions
- Introducing a new tax code for NRCT payments
- Introducing a permanent exemption from NRCT for aircraft leasing from 1 April 2026.

Charities and Not-For-Profits

The taxation of charities has been kicked around for a number of years, with many people having strong opinions on the appropriateness of certain tax exemptions. After a thorough review and some very passionate consultation responses, the process is now closed with the following decisions being announced:

- Placing a cap on the level of donations which qualify for the donation tax credit. This is currently unlimited and will be restricted to \$100,000 (an effective tax credit of \$33,333).
- Making it easier to claim donation tax credits by allowing these to be claimed throughout the year rather than waiting until year end.
- Allowing donors to gift their tax credit to the charity
- Making it easier for not-for-profits to tax payments made to volunteers
- Increasing the level of net income a not-for-profit can earn before needing to pay tax from \$1,000 to \$10,000
- The removal of the tax exemption for non-resident charities
- Introducing integrity measures for trust income allocations to tax-exempt beneficiaries
- Ensuring the member subscriptions for not-for-profits remain non-taxable (consistent with current practice, but in contrast to a recent Inland Revenue interpretation of the existing law)

Banks

Foreign-owned banks are subject to an industry specific set of thin capitalisation rules. These rules are being adjusted to bring the thresholds within the rules in line with the prudential requirements issued by the reserve bank. This change is expected to increase tax revenue by \$45.2 million over four years. In addition to this technical tax change, Budget 2026 does include a new "levy" on banks, non-bank deposit takers, insurers and other financial market participants. The levy is intended to fund the cost of services provided by the Reserve Bank. The levy is expected to raise \$290 million over four years. Consultation will begin on the technical detail of the levy, which is expected to apply from mid-2027.

Shareholder loans

Consultation on the treatment of shareholder loans made a splash earlier this year and were generally unpopular. While the Government had previously backtracked on some of the proposals, one uncontroversial proposal is confirmed as proceeding in Budget 2026. This is a technical law change to ensure that when a company is removed from the Companies Register that a tax liability will arise on unpaid loans after six months. This law change takes effect from 4 December 2025, being the date the change was originally proposed. This change is being made because companies are regularly being removed from the companies register with shareholder loans outstanding. Companies liquidated through a formal liquidation process have had the average loan balance of \$213,000.

Inland Revenue funding

In another case of giving with one hand and taking with the other, the Government was clear before the Budget that government departments were expected to find baseline savings. In Budget 2026 it is confirmed that Inland Revenue is expected to find baseline savings of \$15.8 million per year. However, Inland Revenue is also appropriated an additional \$15 million per year which is to be put toward compliance activities.

This funding is expected to return \$3 per dollar invested. This additional funding is in addition to the increased annual funding in Budget 2024 and Budget 2025.

Other changes

Other tax-related changes announced are:

- Amendments to simplify Working For Families by changing the definition of income. This is intended to make it easier for families to qualify and to reduce the need for manual reviews and payment adjustments.
- Adjustments to the residency requirements for Working For Families.

When will these changes be made?

Often Budget tax announcements are followed by the immediate release of legislation, which is passed through Parliamentary processes under urgency. In the case of Budget 2026, the Taxation (Budget Measures) Bill (No 3) was passed on 29 May and received Royal Assent on 5 June. This Bill included 4 measures (donation tax credit cap, NRCT change for aircraft leasing, shareholder loan change and Working For Families changes), with the remaining changes described above expected to be included in an omnibus tax bill later this year.

It is expected that the remaining items, which supported by the Government, may need further refinement or consultation through the Generic Tax Policy Process (GTPP) to ensure the changes work as intended. The next likely tax legislation will be an "annual rates" omnibus bill, which is expected to be released in August or September this year. Based on prior bill processes, the legislation will be referred to the Finance and Expenditure Select Committee and submissions called for. A technicality to be aware of is that when Parliament dissolves for the election on 1 October all bills will lapse and will need to be reinstated by the next Government. For more information about any of the changes in Budget 2026, please contact your usual Deloitte advisor.

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Back on the road: FBT changes coming for motor vehicles

By Robyn Walker

After more than [40 years](#) of calculating fringe benefit tax (FBT) on motor vehicles the same way, in Budget 2026 it was confirmed that changes are coming from 1 April 2027 to simplify the rules and to make the outcomes fairer.

The finer details of the new rules are not yet known, but this article summarises what we know so far.

The objective of reform is to refocus the FBT rules away from taxing the mere availability of a vehicle for private use and to instead better quantify the actual private benefit being provided based on how the vehicle is used. Rather than needing to constantly require logbooks to be completed a vehicle will be categorised when a vehicle is provided to an employee, with the level of FBT payable only altering if there is a material change in the level of private use. The existing exemptions for work-related vehicles, business trips and emergency calls will be repealed.

Currently the ability to fall within the work-related vehicle exemption is restricted based on the physical characteristics of the vehicle (i.e. it can't be predominantly designed for carrying passengers), going forward a "normal car" may also qualify for lower rates of FBT if it is used for business purposes.

At present the quarterly taxable value of a motor vehicle benefit is based on the cost (or tax book value) of a vehicle, multiplied by the number of days in the quarter the vehicle was available for private use (i.e. after determining exempt days):

$$[GST\ inclusive\ cost\ or\ Tax\ Book\ Value] \times [Quarterly\ Percentage] \times [Private\ use\ days / 90]$$

The new approach will simplify the equation by taking away the need to count days in the quarter or monitor exempt days:

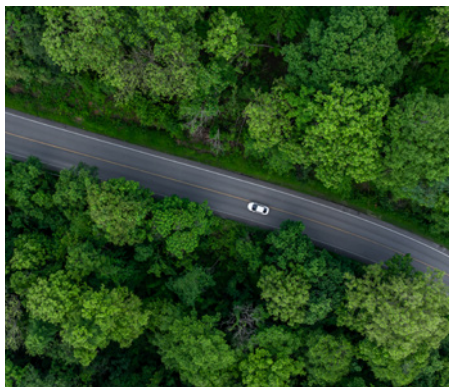
$$[GST\ inclusive\ cost\ or\ Tax\ Book\ Value] \times [Quarterly\ Percentage] \times [Inclusion\ Rate]$$

The "inclusion rate" is a new percentage which represents the extent to which there is a benefit being provided which should be subject to FBT.

Categorisation approach

The motor vehicle categories are as set out in the table below, supplied by Inland Revenue. When considering which category is most relevant for a vehicle there will be some features which will be more determinative of the outcome; for example:

Category	Limitations on use	Inclusion rate
1 – full private use	Vehicle <u>mainly</u> for private use (perk vehicles). The provision of the vehicle is generally reflected in the employee's remuneration package. For determining whether a vehicle is mainly for private use, the fact that other employees have access to the vehicle or not during business hours is ignored. Vehicle does not have to be branded	100%
2 – partial private use	Vehicle <u>mainly</u> for business use. Private use is permitted during rostered days off, public holidays and/or statutory leave days and commuting to and from work. Vehicle must be branded.	35%
2b – limited private use farm vehicles	Vehicle <u>mainly</u> for business use and used to support farming operations on farmland. Private use is permitted when not working. Vehicle must be owned by a closely held company in the business of farming and used by a shareholder-employee. Vehicle does not have to be branded.	35%
3 – minor private use	Vehicle for business use. The only private use permitted is commuting to and from work by the same employee (to the same worksite). The vehicle can be used for business use by others at work. Vehicle must be branded.	20%
4 – minor private use	Vehicle for business use. The only private use permitted is commuting to and from home to work where "work" requires travel across multiple worksites . The vehicle can be used for business use by others at work. Vehicle must be branded.	0%
4b – no private use pool car	Vehicles <u>exclusively</u> for business use. No private use (other than incidental use). Vehicle does not need to be sign-written (that is, pool vehicles). These vehicles are not allocated to a single employee.	0%



- Branding: to qualify for categories 2, 3 or 4 the vehicle must be branded
- Main purpose: if the main purpose of a vehicle is to provide a private benefit, then the vehicle will fall into category 1.
- Business use: all categories other than 1 require the vehicle to have a business use purpose. We expect this should be a purpose other than getting the employee to or from work; that is, the vehicle is used for some business purpose during the workday.
- Restrictions: categories 2, 2b, 3 and 4 all require some level of restrictions on the level of private use by the allocated driver.
- Shared vehicles: categories 3, 4 and 4b all indicate a possible level of 'shared use' of the vehicle. A category 3 vehicle may be driven to the office by the same employee each day but could be made available for other employees to also use for business purposes.

In all cases, incidental private use of a vehicle should not impact on the vehicle classification. Incidental use is likely to be something that is incidental or ad hoc, and we would expect it would include examples which would be considered incidental use under the existing work-related vehicle definition (for example stopping at the supermarket on the way home if it is not a major deviation from the direct route). The intention is to ensure that very minor use that is not intended to have a remunerative effect does not create FBT liabilities.

Other changes

The "quarterly percentage" referred to above was last changed in 2009. The purpose of this percentage is to approximate the vehicle running costs, factoring in things such as depreciation, maintenance, insurance and fuel costs. Inland Revenue has reassessed vehicle running costs and propose to amend these percentages.

These calculations were prepared prior to the current fuel crisis (and we don't expect them to be increased upwards). The new rates include a 12.5% discount to reflect that at times a vehicle may be unavailable due to mechanical issues etc.

A major difference is that there will be variable rates based on the vehicle fuel type. This means that a lower percentage will apply to hybrid and electric vehicles.

Current rates (all GST inclusive):

	Quarterly calculation
Cost	$(\text{Cost} \times 5\% \times \text{private use days}) / 90$
Tax book value (TBV) *	$(\text{TBV} \times 9\% \times \text{private use days}) / 90$
Tax book value (with investment boost) **	$(\text{TBV} \times 10.35\% \times \text{private use days}) / 90$

*Tax book value cannot go below \$8,333

**Tax book value cannot go below \$7,317

Proposed rates (all GST inclusive):

	Quarterly calculations		
	Default rate	Hybrid vehicles	Electric vehicles
Cost	Cost x 5.7% x Inclusion Rate	Cost x 4.9% x Inclusion Rate	Cost x 4.25% x Inclusion Rate
Tax book value (TBV) *	Updated rates not provided by Inland Revenue	Updated rates not provided by Inland Revenue	Updated rates not provided by Inland Revenue
Tax book value (with investment boost) **	TBV x 11.81% x Inclusion Rate	TBV x 10.13% x Inclusion Rate	TBV x 8.75% x Inclusion Rate

Where to from here

It's expected that legislation to implement these changes will be tabled in Parliament prior to the election. The rules should follow a normal select committee and submission process (albeit disrupted by the election period). The rules are intended to apply from 1 April 2027, so there will be a very short window between the law being enacted and taking effect. It's therefore prudent that employers start considering the potential impact on their vehicle fleets now.

For more information, please contact your usual Deloitte advisor.

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FBT and health and safety benefits, Inland Revenue draws the line

By Robyn Walker

From time to time along comes a topic that gets people interested, and the fringe benefit tax (FBT) treatment of health and safety benefits is one such topic (and so are [mileage reimbursement rates](#)).

The level of interest possibly comes because the tax legislation crosses over into the domain of the Health and Safety at Work Act 2015 (HSWA). Finance and tax people know what tax rules require, but health and safety requirements are generally somebody else's responsibility.

In October 2025 Inland Revenue released [draft guidance](#) seeking to provide clarity on when the FBT exemption for health and safety benefits would apply. The draft guidance was not without controversy, with the result being a law change to ensure that personal protective equipment (including clothing) qualifies for the exemption. Inland Revenue took on board feedback received from the consultation process and as a result the [final guidance](#) strikes a fair balance between strict interpretation of the law and practical guidance for employers.



What is the health and safety exemption from FBT?

FBT does not apply to the extent a benefit is:

1. Related to an employee's health or safety;
2. Aimed at managing risks to health and safety in the workplace as provided under the HSWA; and, either
3. Would be excluded by the on-premises exemption if the benefit had been provided on the employer's premises. The on-premises exemption applies to benefits other than travel, accommodation, and clothing which are provided and used or consumed by the employee on the employer's premises; or
4. Is personal protective equipment, including clothing, that is worn to minimise risks to health and safety.

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

What does the Health and Safety at Work Act 2015 require?

Under the HSWA an employer has a duty to eliminate or minimise risks to health and safety as far as is reasonably practicable.

It's important to note that what is required under the HSWA will differ by employer, this is what makes the provision of guidance tricky. Ultimately it comes down to the judgement of each employer, rather than a hard and fast rule for all employers. For example, the provision of sunscreen to employees who are routinely outside should be exempt, but the same conclusion may not be reached by an employer who's employees work exclusively inside an office.

Both Inland Revenue and WorkSafe recommend that employers prepare and maintain health and safety documents which identify risks and what measures are being undertaken to manage that risk.



Examples

While answers may vary by employer, Inland Revenue do seek to provide some examples of where they likely see boundaries being drawn. The following table of common benefits is adapted from Table 1 in the Inland Revenue statement.

Possible benefit	FBT considerations
Workstation evaluation for employees who work from home – to manage risk of injury due to sedentary employment duties	The health and safety exclusion will apply.
Ergonomic desk and equipment for employees who work from home – to manage risk of injury due to sedentary employment duties	The health and safety exclusion will apply.
Gym membership – to manage the risk to health due to sedentary employment duties, or the physical requirements of the employee’s role	The health and safety exclusion will not apply.
Corporate running or biking events – to promote general health and wellbeing	The health and safety exclusion will not apply.
Wellness events, seminars or app subscriptions – to promote general health and wellbeing	The health and safety exclusion will not apply to general resources that have been designed for broad audiences.
Counselling services provided as part of an EAP – to manage psychosocial risks impacting the health and safety of employees	The health and safety exclusion will apply to one-on-one counselling services and any support tools included in a personalised treatment plan developed through the counselling sessions. In most cases, the health and safety exclusion will not apply to health checks that relate to general concerns (e.g., diabetes, blood pressure, cholesterol). However, the health and safety exclusion is likely to apply if the health check is required due to industry regulations, relates to something that the employee is at a greater risk of exposure to due to the circumstances of their workplace, or is necessary to assess an employee’s medical fitness to safely carry out their work at their workplace.
Health checks – to manage general risks to an employee’s health	
Influenza (flu) and COVID-19 vaccinations – to manage the risk of employees contracting flu or COVID-19 in the workplace	The health and safety exclusion will apply.
Eye and hearing tests – to manage the risk of injury or deterioration due to workplace factors	The health and safety exclusion will generally apply.
Prescription eyewear and hearing aids - to improve eyesight or hearing	The health and safety exclusion will not generally apply.
Prescription safety eyewear – to manage the risk of injury due to workplace factors	The health and safety exclusion will apply to the extent that there is a benefit.
Health insurance premium – to manage general risks to an employee’s health	The health and safety exclusion will not apply.
Medical treatment and general practitioner (GP) visits – to treat an employee following a workplace injury or illness	The benefit is unlikely to be a fringe benefit because the medical treatment is not provided to an employee in connection with the employee’s employment. It is provided in response to a workplace incident and is not connected to the employment relationship in the sense intended for FBT. However, the health and safety exclusion will not apply to medical treatment for injury or illness unrelated to a workplace incident.

Possible benefit	FBT considerations
Protective clothing – to manage the risk of injury due to workplace factors	Depending on the circumstances, providing protective clothing may not give rise to any benefit. Where there is a benefit, the health and safety exclusion will apply.
First aid training – to manage risk to injury due to workplace accidents	The health and safety exclusion will apply to the extent that there is a benefit.
Sunscreen or insect repellent provided to employees who work outdoors – to manage risk to health	The health and safety exclusion will apply to the extent that there is a benefit.

Employee Assistance Programmes

The new Inland Revenue guidance clarifies the Commissioner’s position on the FBT treatment of benefits provided under an Employee Assistance Programme (EAP) (including related online platforms or apps), taking a stricter view than what was previously expressed.

When EAP first became commonplace the services were largely limited to one-on-one counselling for work related stress. But over time the breadth of resources being made available to employees (and their family members) has expanded. The Inland Revenue’s view is that any benefits which are intended to improve a person’s general health are unlikely to qualify for the FBT exemption. The guidance cites wellness resources which are designed for a broad audience on topics such as fitness, nutrition, sleep, parenting and lifestyle habits as being unlikely to be sufficiently aimed at managing workplace hazards.

The guidance includes a detailed example on EAP services, which is paraphrased below:

Building Bridges is an engineering company. To help management stress EAP services are provided to employees and family members. Employees and family members are entitled to three confidential one-on-one counselling sessions per year.

In addition, employees have access to general-purpose wellness resources via an online platform.

Conclusion

The one-on-one counselling sessions qualify for the FBT exemption

The access to the general sources will not qualify for the FBT exemption

It is necessary to apportion the cost of the benefits between the two types of benefits. To the extent there is no separate charge for the general resources it may not be necessary to undertake an apportionment.

Because of this change in position, Inland Revenue have advised that the Commissioner will not apply his resources to any periods before 1 April 2026 to determine whether an employer has applied the position outlined in the finalised guidance to benefits provided as part of an EAP. We recommend that employers speak with their EAP provider to understand what benefits are being provided and how sufficient information can be provided on invoices (while maintaining employee privacy) to allow an assessment of the FBT treatment of services to be undertaken.

For more information on FBT, please contact your usual Deloitte advisor.

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Mileage matters: Inland Revenue’s 2026 rates are here

By Andrea Scatchard, Mihiri Nakauchi and Rosall Henry

We are sure many readers have been waiting with interest for Inland Revenue’s latest kilometre rates.

Inland Revenue has now released the rates for the 2026 income year, and given recent increases in fuel prices and broader cost pressures, this year’s update is likely to be particularly relevant for businesses and their employees.

Following last year’s more significant overhaul, which expanded the framework to eight different rates across petrol, diesel, petrol hybrid and electric vehicles, the 2026 update is comparatively straightforward with just an upwards adjustment to all but one the various rates. The largest increases are for electric vehicles, while for petrol vehicles only the Tier 1 rate has increased. This seems counter intuitive given the large increase in petrol prices over the last 6 months, but is a reflection of the fact that the rates are set using data from the year to March 2026 so do not fully include the impact of current petrol prices.

What do I need to remember?

The Commissioner must regularly set kilometre rates, which can be used by self-employed taxpayers and close companies to work out deductible vehicle costs under the kilometre rate method.

In practice, these rates are also widely used by employers reimbursing employees for the work use of their personal vehicles. Where the reimbursement does not exceed the published rates, it can generally be paid tax-free.

A key point to remember is that the rates operate on a two-tier basis:

- Tier One applies to the business portion of the first 14,000 kilometres of total travel for the year, including private use. This tier is intended to cover both fixed and running costs.
- Tier Two applies to any travel reimbursed beyond the Tier One limit and is intended to reflect running costs only.

Using these rates is optional, not mandatory. Business owners may instead choose to claim deductions using the cost method, based on actual expenditure. Similarly, employers are not restricted to reimbursing at the Inland Revenue published rates, and may choose to pay more or less. However, where a higher rate is used, records should be retained to demonstrate that the reimbursement represents a reasonable estimate of expenditure.

2025 Mileage Rates		
Vehicle Type	Tier 1 rate per km	Tier 2 rate per km
Petrol	\$1.17	\$0.37
Diesel	\$1.26	\$0.35
Petrol Hybrid	\$0.86	\$0.21
Electric	\$1.08	\$0.19

2026 Mileage Rates		
Vehicle Type	Tier 1 rate per km	Tier 2 rate per km
Petrol	\$1.20	\$0.37
Diesel	\$1.30	\$0.38
Petrol Hybrid	\$0.90	\$0.24
Electric	\$1.22	\$0.23

Self-employed and close companies

If you are a sole trader or qualifying close company and choose to use the kilometre rate method to claim business vehicle costs, the 2026 kilometre rates apply for the 2026 year – that is, from 1 April 2025 to 31 March 2026 for taxpayers with a standard balance date.

If you were ahead of the game and have already filed your 2026 income tax return using the 2025 kilometre rates, you may still be able to correct the position. In some cases, the difference can be self-corrected in your 2027 tax return depending on the quantum of the adjustment.

Where the difference between the amount originally claimed and amount available under the 2026 rates is material, a Notice of Proposed Adjustment may be required instead. This option is only available within four months of filing the income tax return.

Employers

If you are an employer reimbursing employees for work-related travel, the 2026 kilometre rates apply to reimbursements made on or after 4 June 2026, being the date the new rates were issued.

Where your reimbursement policy says employees will be paid at the Inland Revenue rate, you should update the rate paid as soon as possible.

If there is a delay in implementing an increased rate, although it does not create a PAYE issue, employees may be temporarily disadvantaged.

Inland Revenue has acknowledged that the current kilometre rates may not always be the best proxy for employee reimbursement costs, given they are based on prior-year vehicle expenditure data. Inland Revenue has said it is considering further reimbursement guidance for the 2027 income year, due to the increase in fuel prices. In the meanwhile, employers can continue using the 2026 kilometre rates for reimbursement purposes or adopt another method that reflects a reasonable estimate of employee expenditure.

If your reimbursement policy sets a fixed rate for work related mileage and the rate is lower than the new Inland Revenue rate, no immediate action is required. The reimbursement can still be paid tax free, although employees may well ask for the rate to be reviewed in light of the increase.

For more information about applying the new kilometre rates or mileage reimbursement options, please contact your usual Deloitte advisor.

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GST at 40, officials seek views on reform priorities

By Rachel Hale and Allan Bullock

As the 40th anniversary of the commencement of GST in New Zealand approaches, the Inland Revenue have given an early gift with the Officials' Issues Paper '[Current GST Issues](#)'.

The Issues Paper is a mix of some good ideas, some unhelpful proposed solutions and a number of issues that most taxpayers will have had no idea even existed in the first place.

The Issues Paper has no clear theme and instead journeys across eight diverse topics culminating in 56 specific questions from Officials. Ultimately, the consultation process will be critical as the outcomes

will directly shape future GST policy and legislation. For anyone with particularly strong GST views, making a submission now is far more likely to result in a change of approach than waiting until policy views become embedded and future legislation is presented to Parliament. The deadline for submissions on the Issues Paper is **29 June 2026**.

So, what is covered in the Issues Paper?

Dwellings and commercial dwellings

A key issue with the GST Act's current definitions of 'dwelling' and 'commercial dwelling' is that they do not adequately address the uncertainty that can arise in this area, particularly with boundary issues.

Some of the issues that arise in practice come from the fact that the definition of a 'commercial dwelling' simply contains a list of different types of property whereas the definition of 'dwelling' ultimately focuses on what the resident receives (while also referring to the definition of 'quiet enjoyment' which is defined in other legislation and not within the GST Act). There are some forms of accommodation which straddle the two concepts, so the Issues Paper looks to help categorise them into one or the other.

Student accommodation has been identified as an area where Officials consider the GST treatment is unclear, particularly for self-contained and self-catered student accommodation; the preference is to treat this as taxable (with the lower 9% GST rate being available). Farm stays (being a distinctly separate form of accommodation to farmhouses) is also called out in the Issues Paper. Specific comment has also been requested in relation to Māori housing arrangements which may help to inform whether there are other accommodation circumstances that should be considered.

Our expectation is that any changes in this space will not be intended to impact farmhouses or the rest home/aged care sector. However, given that the Issues Paper is silent on these matters, submitters may wish to specifically call this out in order to get greater clarity here.

Ultimately, the ideas presented in the Issues Paper seem to be sensible overall.

Electricity exported to grid by residential premises

This part of the Issues Paper is a clear example of where Officials have good intentions to try and make this area of GST more straight forward but the practical challenges can be tough.

To address some of the issues faced by electricity retailers in determining whether or not there is an entitlement for the electricity retailer to claim GST on solar-generated electricity exported to the grid by a residential customer. The Issues Paper proposes that if a residential property owner is registered for GST for any other reason, the sale of any surplus solar-generated electricity will be treated as subject to GST (although zero-rated), even if there is no correlation whatsoever between the taxable activity of the GST-registered owner and the generation of solar electricity at that property.

This proposal seems sensible from the perspective of the electricity retailer (resulting in no actual GST to claim back when purchasing surplus solar-generated electricity from customers) and reduces the risk of the electricity retailer claiming GST on purchases when the residential customer has not returned a corresponding amount of output tax through their own GST return. However, treating all sales of such surplus electricity as zero-rated will likely give rise to a myriad of other issues around the extension of the property owner's taxable activity. This could also create issues with any future property sale if the residential property (being the property upon which solar panels are installed) forms part the taxable activity.

This is an area where consultation will be critical to ensure that Officials consider the impacts of the proposed changes, as well as alternative options that solve the perceived problem. One such alternative could be to simply deem the supply of surplus residential solar electricity to not be a taxable supply for GST purposes.

Cross-border issues

Officials have identified a number of issues arising from uncertainty around the definition of 'resident' for GST purposes.

For the purposes of the GST Act, a taxpayer is 'non-resident' to the extent they are not resident. A 'resident' generally follows the Income Tax Act 2007 definition but also captures anyone that has a "fixed or permanent place in New Zealand" related to any activity which takes place in New Zealand. Historically, there has been limited guidance as to how to interpret this from a GST perspective.

It is noted in the Issues Paper that the uncertainty around how these definitions should apply in practice is causing non-residents to have to register for GST in New Zealand simply because they happen to make supplies while physically present in New Zealand and operating at a clients' premises, even though their customers may be New Zealand GST-registered parties.

The Issues Paper suggests that the definition of resident could be narrowed so that there is only a "fixed or permanent place" where the supplier owns, leases, or rents the premises (while also excluding premises which are leased primarily for accommodation). Alternatively, the issues paper suggests a new exclusion where there is a fixed or permanent place in New Zealand solely because an employee is working at a client's premises in New Zealand.

While the proposals outlined may be seen to be sensible, changing the legislation could give rise to unintended consequences. It may make more sense for Officials to dedicate their time and resource to instead provide clearer guidelines as to how the current definitions should be interpreted from a GST perspective.

There is existing guidance in [Interpretation Statement 21/07](#) which indicates that Officials are interpreting the resident definition narrower than then did in 2021.

Correcting errors and inaccuracies

The Issues Paper outlines a number of proposals to tweak how taxpayers correct GST errors. For the most part, these tweaks are focussed on self-correction rather than fundamental changes to the rules. There is however a new proposed legislative distinction between 'single-person errors' (generally being an error arising in the preparation of the taxpayer's GST return) and 'multi-person adjustments' (being issues that arise in relation to the GST treatment of a supply between parties).

The proposed changes include:

- Increasing the existing self-correction threshold;
- Guidance as to how to correct multi-person adjustments;
- Placing prohibitions on asking the Commissioner to amend an original assessment to obtain use of money interest where an error is able to be corrected prospectively;
- Restrictions on current period adjustments for supplies that were never included in any GST return; and
- Limitations on the ability to claim input tax where a clear mistake or simple oversight has taken place.

While the suggestions around the self-correction threshold are sensible, the majority of the other ideas traversed in this part of the Issues Paper appear to be a step backwards in terms of allowing taxpayers to deal with issues pragmatically, particularly when all parties are GST-registered and errors do not lead to any net GST revenue loss. Expect to see a lot of submissions to this part of the Issues Paper, as it impacts all taxpayers whereas the other chapters are more limited in application.

Miscellaneous Issues

No Issues Paper would be complete without a section dedicated to 'Miscellaneous'. Some of the items in this section are ones that most taxpayers are probably not aware were issues in the first place. Suggestions in this section include correcting how pre-registration expenditure is dealt with, changes to GST group registrations, tweaks to time of supply rules when consideration is unknown and updating the definition of 'Participatory Security' to include an interest in any unincorporated body.

Modernising the Goods and Services Tax Act

This section of the Issues Paper acknowledges the ever-increasing calls to rewrite and modernise the 40-year-old GST Act. While it is pleasing to see Officials acknowledge this, they do not currently recommend undertaking a full rewrite of the GST Act.

Officials appear to be of the view that meaningful improvements can be achieved with restructuring, renumbering, more modern drafting and adding readers' aids. While that may be the intention, once a renovation is started it may be determined that a full rebuild may be more efficient.

In a world of limited resources, a question arises as to whether time is spent making existing laws more comprehensible (leading to better compliance) or designing more rules to bolt onto the existing model. We know a lot of people would prefer to see a mid-life makeover



**International developments:
Business event services supplied
to non-resident businesses**

There have long been calls to zero-rate conference attendance fees charged to non-residents as part of the way of boosting inbound conference spend in New Zealand. This happens in other jurisdictions, so New Zealand appears to be a more expensive location.

Proposals were being considered prior to the COVID-19 pandemic but unsurprisingly were shelved when global travel was all but eliminated during the peak of the pandemic.

It is pleasing to see this being talked about again. However, at this stage Officials simply want to understand whether there is real demand for this here.

Other international developments

The final chapter of this 40th Birthday Issues Paper deals with e-invoicing and digital continuous transaction reporting. Officials note that while the Government and many sectors of business are encouraging the use of e-invoicing, there is currently no tax need for this to be mandated. Officials are also cautious about the cost that moving to digital continuous transaction reporting would impose on taxpayers.

Ultimately, the Issues Paper is interesting reading and does provide a lot of opportunities to share views and suggest alternate approaches to addressing identified issues as part of the consultation process. We are hopeful that the positive aspects of the Issues Paper help shape the future of GST in New Zealand as it moves into its fifth decade. If you would like to discuss the GST proposals further, please contact your usual Deloitte adviser.

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AI in tax – revolution, risk or somewhere in between?

By Joe Walker and Phillip Claridge

If endless LinkedIn posts are to be believed, the future of outsourcing your tax positions entirely to AI has arrived.

AI will have your tax return done better, faster and cheaper than your old fashioned human tax advisor (subscribe to my newsletter for more!).

Based on our own conversations with tax and finance teams, we understand that a wholesale AI tax revolution remains subject to certain timing differences. However, where there is smoke there is fire and many teams are increasingly adopting AI tools as part of their everyday work, and finding that, used well, AI can be a powerful productivity tool.

That raises an obvious question: *if AI is increasingly being used to help prepare tax positions, what happens when the answer is wrong, and how will Inland Revenue view taxpayers relying on it?*

Can taxpayers rely on AI-generated tax advice?

The short answer to this is “no”. Ultimately, taxpayers are responsible for the correctness of their tax positions. In and of itself, reliance on an advisor (human or AI) does not prevent Inland Revenue from reassessing a taxpayer’s self-assessment. However, if the reassessment stands, the process by which the taxpayer formed that self-assessment, including the use of AI, is relevant to the penalties that apply to any tax shortfall that was corrected.

Inland Revenue recently commented on this briefly in [interpretation statement 26/04](#) (IS 26/04), which discussed the application of [shortfall penalties](#) for “not taking reasonable care”.



The message of IS 26/04 in relation to AI is practical and unsurprising: reasonable care depends on how the technology is used. When dealing with a complex tax issue, a single prompt to a general-purpose AI tool, followed by uncritical reliance on the answer, will not usually be enough. Inland Revenue expects taxpayers to use accurate facts, check sources against trusted materials such as legislation, case law, Inland Revenue rulings and other guidance, and review outputs for accuracy and relevance to the taxpayer’s circumstances.

On the face of it, this is a reasonable approach. In our experience, there are risks with relying on AI tools in a tax context. For example:

1. AI tools can be wrong in ways that look right. It may produce a fluent answer that blends correct principles with outdated law, foreign tax concepts, or invented authorities. On the face of it such ‘advice’ appears logical and well thought out, even to a professional, and it is only on closer examination that the issues are evident.

2. AI tools correctly answer the question posed, but either:
 - A. The ‘wrong question’ is being asked – a common scenario encountered by advisors;
 - or
 - B. Clarifying questions are missed, such that the answer provided relies on assumptions that are not appropriate to the context.

This is not to say that AI tools are unhelpful. On the contrary, the performance of state-of-the-art AI systems is remarkable. They may well surface issues that would have otherwise been missed or highlight areas that require further consideration or advice. Further, as the performance of AI models improves, the types of issues noted above may become less common. However, as Inland Revenue emphasises, notwithstanding how impressive AI tools may seem at face value, uncritical reliance should be avoided. For tax positions involving judgement, material amounts, uncertain law, or unusual facts, taxpayers should treat AI output with particular care.

AI tools and Inland Revenue search powers

Prompts, uploaded materials, model outputs, and other data associated with AI tools are often retained, at least for a period, by one or more parties involved in providing or using the service. The security and governance of this data is already on the radar of most organisations as a risk management consideration. However, as part of this, taxpayers should bear in mind that Inland Revenue has extremely broad statutory powers to compel taxpayers and third parties to provide documents and information, including records held electronically.

As the use of AI tools expands, it is conceivable that Inland Revenue may seek to use its search powers to access records/ data generated by AI tools as part of its enforcement activities. For most end users this paper trail is largely invisible, however it may extend well beyond the 'chat history' visible to them. Requests to provide information could be directed to taxpayers themselves or, in some cases, to technology service providers directly. While we are not currently aware of Inland Revenue making requests of this nature, taxpayers should nevertheless consider what tax-sensitive information is being retained, for how long, and by whom.

Certain information may be protected from disclosure to Inland Revenue, including material that qualifies as legally privileged or as a "tax advice document" under New Zealand's tax legislation. There might be some circumstances where information generated by an AI tool falls within the scope of these protections, but this should not be assumed. These rules are complex, and taxpayers should obtain specific advice on their application.

Deloitte comment

AI tools can be a valuable assistant: helping to frame issues, test thinking, uncover relevant sources and improve efficiency. However, Inland Revenue's comments are a timely reminder that AI does not change the fundamentals of tax compliance. Taxpayers remain responsible for the positions they take and cannot outsource this responsibility to an AI tool.

For tax and finance teams, the practical challenge is to realise the benefits of AI without allowing speed and convenience to dilute quality or create other risk exposures. This should be considered as part of an organisation's broader AI and data governance settings, including how AI tools are approved, what information may be entered into them, how outputs are reviewed, what records are retained (and by whom). Judgement is required as to whether tax-specific policies are required, as this may depend on the organisation's existing controls.

Organisations may also need to revisit and adjust their approach as AI tools evolve. For example, the ability for AI agents to orchestrate long-running workflows (potentially autonomously or with limited user input) sharpens the challenge in relation to:

1. Ensuring appropriate reviews and controls are in place before increasingly complex outputs are incorporated into tax positions.
2. Managing the proliferation of tax sensitive data, particularly where this may be being documented without user visibility.

AI is a technology with the potential to fundamentally shift how organisations operate, including finance and tax teams. In our view, tax is not unique - AI is an opportunity to be embraced not avoided. However, as with other technology its use should be intentional, with the risks understood and appropriately controlled.

If you have any questions about AI and tax please contact your usual Deloitte adviser.

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Inland Revenue's transfer pricing focus continues

By Bart de Gouw, Liam O'Brien and Cristy Yun

Winter may have arrived, but Inland Revenue's transfer pricing activity is showing no signs of cooling down.

Inland Revenue is continuing to adopt a more active and targeted approach to transfer pricing and international tax compliance, with new targeted campaigns already underway and a further transfer pricing documentation campaign expected in late 2026.

We regularly engage with Inland Revenue to understand areas of focus and new developments. This article provides four key takeaways and insight into Inland Revenue's current areas of focus, anticipated compliance campaigns, Inland Revenue's expectations for benchmarking and its current position on the implementation of the OECD Amount B in New Zealand.

Consistent with the themes of our recent Tax Alert articles (see our [February 2026](#) and [April 2026](#) articles), transfer pricing remains firmly on Inland Revenue's radar. Taxpayers should therefore be prepared for increased Inland Revenue scrutiny and should ensure transfer pricing positions are supported by robust, locally relevant documentation and defensible benchmarking aligning with Inland Revenue's expectations as we prepare to file 2026 income tax returns and progress through the 2026/27 income year.

Key takeaways from recent Inland Revenue engagement

Based on our recent engagement with Inland Revenue, we have identified four key takeaways that New Zealand companies should be conscious of.

1. 2026 Transfer pricing documentation campaign (expected in late 2026)

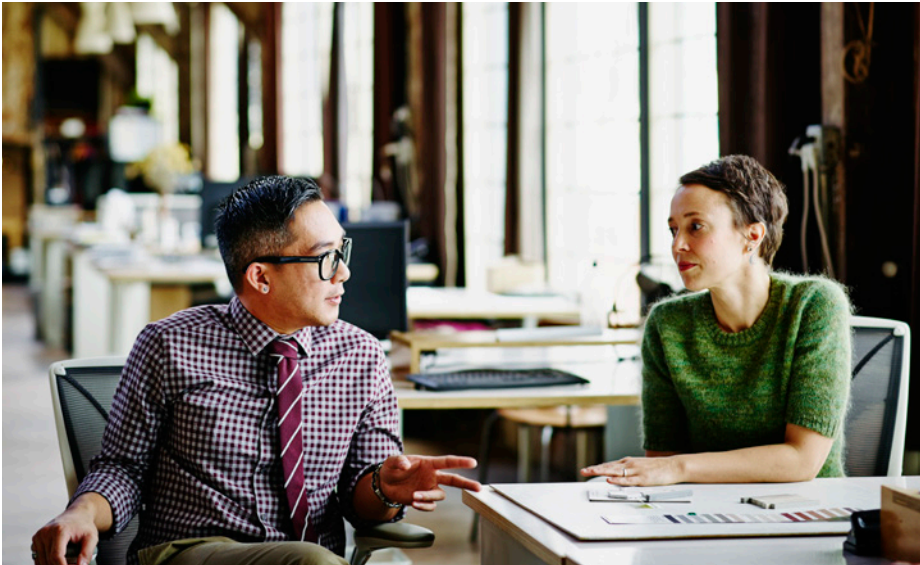
Inland Revenue expects to launch another transfer pricing documentation campaign in late 2026, which is likely to cover the cross-border associated party transactions entered into by New Zealand taxpayers during the 2025 income year (which includes balance dates falling between 2 October 2024 and 30 September 2025). The campaign is expected to follow a similar process and format to the "2025 TP documentation campaign" launched in late 2025.

As part of the 2025 campaign, Inland Revenue issued information request letters to selected New Zealand taxpayers identified as having elevated transfer pricing risk (e.g. taxpayers with significant cross-border transactions and/or high risk transfer pricing transactions and structures). Taxpayers were required to provide transfer pricing documentation (including both the New Zealand Local File and the group Master File), intercompany agreements and a summary of the cross-border associated party transactions entered into during the year. Taxpayers that received one of these initial letters had approximately five weeks to respond to the information requested.

Following its initial review of the provided information, Inland Revenue issued letters notifying of either no further action or, in most cases, progressed to a detailed review phase, where further detailed information was requested. See our [February 2026](#) article for further detail on the 2025 TP documentation campaign process and areas that piqued Inland Revenue's interest which led to further questions being asked.

Inland Revenue continues to use its International Questionnaire as a key risk assessment tool. For the 2026 TP documentation campaign, it will select candidates primarily based on their responses to the International Questionnaire for the 2025 income year.

In light of Inland Revenue's heightened expectations for transfer pricing documentation and the upcoming TP documentation campaign, taxpayers should ensure their transfer pricing documentation for the 2025 income year is up to date, accurately reflects the facts and circumstances of the New Zealand business (rather than generic high-level documentation that is prepared centrally by the group without thorough localisation), and is aligned with Inland Revenue's expectations as outlined on their [website](#) and summarised in our [April 2026](#) article.



2. Inland Revenue expectations for comparable company benchmarking studies

Inland Revenue continues to place strong emphasis on the geographic comparability of companies used in benchmarking studies and has emphasised that sets using companies from markets that Inland Revenue does not consider to be suitably comparable to the New Zealand market are unlikely to be accepted and more likely to be reviewed by Inland Revenue. Specifically:

- **Preference for Australia/New Zealand comparable companies** – Inland Revenue expects benchmarking sets to be based on Australia and New Zealand comparable companies as much as possible, as Inland Revenue considers these markets to be most comparable to the New Zealand market. While geographic scope may be expanded in certain cases, Inland Revenue considers that this does not typically result in more reliable benchmarking outcomes and such expansions are therefore not encouraged in practice.

- **Use of US/UK comparables may elevate review risk** – While US and/or UK companies may be used to supplement Australasian datasets in some circumstances, Inland Revenue has indicated the inclusion of comparable companies from these markets is more likely to lead to additional questions or attention from Inland Revenue.
- **Increased scrutiny of APAC comparables** – Benchmarking studies that rely heavily on Asia-Pacific comparables (particularly studies including a significant proportion of South-East Asian companies) are likely to attract closer review, as Inland Revenue does not consider these markets to be sufficiently comparable to New Zealand

Based on our recent engagement with Inland Revenue (including through the 2025 TP documentation campaign), this is an area likely to prompt further Inland Revenue queries.

3. OECD Pillar One Amount B – Inland Revenue position

The OECD's [Pillar One Amount B](#) simplification measure for baseline marketing and distribution activities has now been finalised and incorporated into the OECD Transfer Pricing Guidelines, with potential application for fiscal years starting on or after 1 January 2025.

However, Inland Revenue has confirmed that New Zealand will not adopt Amount B in its current form and will continue to apply existing transfer pricing rules. In practical terms, this means Amount B will not be recognised for New Zealand tax purposes, whether in an inbound or outbound context.

For New Zealand taxpayers, this will have the following implications:

- Amount B will not apply under New Zealand's double tax treaties and therefore will not be relied on in Mutual Agreement Procedure processes.
- The application of Amount B to transactions with jurisdictions that do apply Amount B does not discharge a taxpayer's burden of proof in New Zealand. Taxpayers are still required to support their transfer pricing positions under the standard arm's length principle, by preparing and maintaining appropriate transfer pricing analysis for distribution arrangements, even if the wider multinational group has adopted Amount B in other jurisdictions (e.g., if the group intends to implement Amount B as part of a group-wide approach to distributor returns).

4. New intangible property questionnaire (responses due by 25 June 2026)

Inland Revenue has recently launched an intangible property questionnaire targeting New Zealand taxpayers that made outbound royalty payments during the 2024 income year. The response to the questionnaire is due on 25 June 2026.

This campaign is driven by Inland Revenue's review of 2024 International Questionnaire responses, where it has identified taxpayers paying relatively high royalties, while reporting low profitability or losses.

The purpose of the questionnaire is to better understand the nature of royalty payments, the underlying intangible property, and whether the level of payments is consistent with the value derived. Selected taxpayers are required to provide detailed information, including:

- Financial information for the 2024 income year and explanations for the drivers of losses or low profitability
- Details on the intangible property – including the type of intangible property, how the IP is being exploited in New Zealand, and copies of the legal/licensing agreements for these arrangements.
- A breakdown of all payments made by the New Zealand taxpayer relating to the intangible property (e.g. royalties, licence fees, franchise fees etc.) during the year to associated and non-associated persons within New Zealand and located overseas.

- Name and IRD number of the entity that makes the intangible property payments.
- Where the payments are paid to a non-resident associated person, an explanation or transfer pricing documentation / benchmarking analysis to support the arm's length nature of the payments.
- Inland Revenue will also review the non-resident withholding tax (NRWT) treatment of royalty payments and requires an explanation where NRWT has not been deducted on payments to non-residents.

This new campaign reflects Inland Revenue's increased focus on royalty payments and intangible property arrangements. In light of this, it is important that taxpayers review their cross-border royalty policies and reassess whether current payments to, or receipts from, offshore related parties remain arm's length and are appropriately supported by transfer pricing documentation/legal agreements.

If you have any questions on how to best manage your transfer pricing positions and prepare transfer pricing documentation or respond to one of the above information requests, please contact your usual Deloitte advisor.

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Snapshot of recent developments

Tax legislation and Policy Announcements

Inland Revenue: Information release Increase to the in-work tax credit

On 21 April 2026, Inland Revenue [published](#) an information release including documents related to the in-work tax credit increase.

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

On 12 May 2026, Inland Revenue [published](#) detailed commentary on the changes introduced by the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Act 2026 which received Royal assent on 30 March 2026.

Inland Revenue Technical updates

Determination: Deemed Rate of Return on Attributing Interests in Foreign Investment Funds

On 29 April 2026, Inland Revenue published determination [DET 26/04: Tax Administration \(Deemed Rate of Return on Attributing Interests in Foreign Investment Funds, 2025–26 Income Year\) Determination 2026](#). The determination provides that the deemed rate of return applying for the 2025–26 income year for the purposes of sections EX 55(4)(b) and EX 55(6)(c) of the Income Tax Act 2007 is 7.84%. The deemed rate of return set for the 2024–25 income year was 8.04%. This determination took effect from 30 April 2026.

Draft Public Ruling: GST – Directors’ fees and board members’ fees

On 30 April 2026, Inland Revenue published draft public ruling [PUB00545: GST – Directors or board members who provide services through a personal services company](#). Inland Revenue has withdrawn [public rulings](#) BR Pub 23/01 – 23/03 and issued an updated public ruling and accompanying [Question We’ve Been Asked](#) and [fact sheet](#) to reflect the recent amendment to section 6(4) of the GST Act 1985, and for general clarity. No other interpretative changes have been made to the new guidance.

Inland Revenue: Tax Information Bulletin – May 2026 (Vol 38, No 4)

On 30 April 2026, Inland Revenue published the May 2026 Tax Information Bulletin. The TIB covers the following recent tax developments:

Ruling

- BR Prd 26/02: Industrial and Commercial Bank of China (New Zealand) Limited

Interpretation Statements

- IS 26/02: GST treatment of supplies of payment processing or facilitation services to merchants
- IS 26/03: Shortfall penalties – requirements for a “tax position” and a “tax shortfall”
- IS 26/04: Shortfall penalty for not taking reasonable care
- IS 26/05: Shortfall penalty for taking an unacceptable tax position
- IS 26/06: Shortfall penalty for gross carelessness
- IS 26/07: Shortfall penalty for taking an abusive tax position
- IS 26/08: Shortfall penalty for evasion or similar act

- IS 26/09: Shortfall penalties – reductions and other matters
- IS 26/10: Income tax implications of providing sponsorship
- IS 26/10: Income tax implications of providing sponsorship

Question We’ve Been Asked

- QB 26/10: GST - Registered members of unregistered unincorporated bodies

Case summaries

- CSUM 26/02: Disputant’s claim struck out due to failure to follow the disputes process
- CSUM 26/03: Taxpayers’ appeal against evasion shortfall penalties dismissed

Technical Decision summary

- TDS 26/03: Sale and subdivision of land

Inland Revenue: New Tax Technical Overview pages

On 30 April 2026, Inland Revenue announced that new tax technical “Overviews” pages have been published for the following topics:

- [Cryptoassets](#)
- [Kilometre rates](#)
- [Livestock values](#)
- [Square metre rates for dual use of premises](#)

Draft Interpretation Guideline: GST - Types of unincorporated bodies

On 6 May 2026, Inland Revenue published their draft interpretation guideline [PUB00530](#): GST - *Types of unincorporated bodies*. The draft explains when different GST rules apply to unincorporated bodies (specifically: partnerships, joint ventures, trustees, and other unincorporated bodies) and whether the body or its members must register for GST. In summary, the draft’s main practical significance is that Inland Revenue is softening the previously stated “significant degree of regulation” requirement for unincorporated bodies, while reinforcing that mere co-ownership or cost-sharing is still not enough. Submissions close 17 June 2026.

Interpretation Statement: GST – Court-awarded costs and disbursements

On 22 May 2026, Inland Revenue published interpretation statement [IS 26/11](#): GST – *Court-awarded costs and disbursements*. This interpretation statement explains that court-awarded costs and disbursements and out-of-court settlement payments for costs and disbursements are generally not subject to GST. Unless a specific GST deeming rule applies, these payments do not involve the necessary connection between a supply and payment which is required for GST purposes. The statement does not consider the GST treatment of court awards and out-of-court settlement payments more generally (e.g., payments of damages).

Draft Interpretation Statement: GST – Arranging and brokering financial products

On 21 May 2026, Inland Revenue published draft interpretation statement [PUB00463](#): GST – *Arranging and brokering financial products*. This statement provides guidance about the circumstances in which intermediaries or brokers involved in the supply of financial products will make an exempt supply for GST purposes by arranging (rather than advising on) any financial services. Arranging occurs where the intermediary is directly involved in an essential part of bringing about a financial service that their customer has already decided to obtain, as opposed to general promotional or advisory work.

This statement operates alongside IS0052 (Financial Planning Fees—GST Treatment) and does not replace that statement (or any statement that replaces it). Submissions close on 2 July 2026.

Commissioner’s Statement: GST treatment of low value pre-registration acquired goods and services

On 22 May 2026, Inland Revenue published Commissioner’s statement [CS 26/02](#): *GST treatment of low value pre-registration acquired goods and services*. The statement sets out the Commissioner of Inland Revenue’s position and operational approach on the treatment of goods and services valued at \$10,000 or less (excluding GST) that were acquired before GST registration and are used to make taxable supplies, on or following GST registration. The Commissioner’s position is that a registered person is not permitted to claim input tax deductions for goods or services acquired before registration where the GST-exclusive value of those goods or services is \$10,000 or less. While s 21B of the GST Act 1985 allows registered persons to make an adjustment for pre-registration acquired goods and services, the threshold in s 21(2)(b) does not allow any adjustments to be made if the goods or services are valued at \$10,000 or less (excluding GST).

Tax Cases and Technical Decision Summaries

Technical Decision Summary: Off-market share cancellation (Private Ruling)

On 14 May 2026, Inland Revenue published technical decision summary [TDS 26/04](#) *Off-market share cancellation*. The private ruling considered whether payments made by Company A to shareholders as part of an off-market share cancellation were taxable dividends.

Company A was a long-standing holding company that owned Company B. Company A had been formed through a share-for-share exchange and was winding up after its subsidiaries had ceased trading. The Tax Counsel Office concluded that (1) the cancellation payments made by Company A were genuine returns of capital, (2) the share-for-share exchange did not restrict Company A’s available subscribed capital (ASC), and (3) the arrangement was not tax avoidance. Importantly, the cancellation payments met the market value threshold and the amount paid per share did not exceed the Available Subscribed Capital per share under the ordering rules.

Technical Decision Summary: Off-market share cancellation (Private Ruling)

On 22 May 2026, Inland Revenue published [TDS 26/05](#) *Off-market share cancellation*. The private ruling considered whether the proposed pro-rata cancellation of ordinary shares by the applicant company were taxable dividends or a non-taxable return of capital. The company had previously sold a major capital asset, and the proposed cancellation came as part of a broader capital management strategy. Inland Revenue confirmed that the proposal could proceed as a capital return, after considering whether the company had sufficient available subscribed capital, whether the cancellation met the requirements for a pro rata 15% deduction, and whether the payments were effectively made in lieu of dividends.

Inland Revenue Media Releases and Operational Updates

Inland Revenue: support for severe weather conditions in Wellington

On 29 April 2026, Inland Revenue [issued](#) an invitation to taxpayers affected by the severe weather conditions in Wellington to contact Inland Revenue for support if needed. Taxpayers should include the word “weather” in the myIR correspondence.

Inland Revenue: Foreign investment fund Australian listed share exemption tool

On 4 May 2026, Inland Revenue [published](#) the Foreign Investment Fund Australian listed share exemption tool for the 2026 tax year. The tool can check whether a shareholding in an ASX listed Australian company is exempt from the FIF rules.

Inland Revenue: Correcting Key message contact

On 5 May 2026, Inland Revenue [asked](#) tax agents to add a key message contact for their clients in myIR, to ensure that their specific queries are being sent to the correct person.

Inland Revenue: Updated Tax Information Bulletin webpage

On 7 May 2026, Inland Revenue updated their [Tax Information Bulletin \(TIB\)](#) webpage, which now gives users a summary view of all Tax Technical items and Tax Policy legislation.

Inland Revenue: Watch out for scammers this tax season

On 15 May 2026, Inland Revenue [published](#) a media release warning taxpayers to watch out for scammers seeking their personal information. The warning comes as Inland Revenue begins sending Individual Income Tax Assessments to salary and wage earners, which typically accompanies an increase in scamming attempts each year. For more information on common scams please see this [link](#).

International updates

New Zealand tax treaty updates

Recent updates to New Zealand’s tax treaties include:

- The Croatian Parliament approved a tax treaty with New Zealand, which was then ratified in Croatian law.
- The Netherlands announced a plan to commence the second round of negotiations for an income tax treaty with New Zealand.

OECD updates

The Global Minimum Tax Implementation Toolkit

On 30 April 2026, the OECD [published](#) guidance on their Global Minimum Tax (GMT) framework, the *Global Minimum Tax Implementation Toolkit*. The toolkit clarifies key administrative aspects of the GMT. It provides guidance on timelines and milestones, supports jurisdictions in addressing common operational challenges and promotes co-ordination through shared best practices, reducing administrative and compliance burdens for both tax administrations and taxpayers.

Economic Survey of New Zealand

On 7 May 2026, the OECD [published](#) their *Economic Survey of New Zealand*. The OECD considers New Zealand’s economic outlook to be improving, with lower interest rates and strong export performance expected to support a gradual recovery in growth over the next two years. However, domestic demand remains weak, and the OECD warns that inflationary pressures and fiscal challenges persist, particularly given uncertainty arising from the Middle East conflict and long-term ageing pressures. The report projects GDP growth of 1.4% in 2026 and 2.3% in 2027, while recommending continued fiscal consolidation and careful monetary policy settings to keep inflation expectations anchored.

New documents relating to Pillar Two rules

On 18 May 2026, the OECD [published](#) a collection of documents relating to the Pillar Two global minimum tax rules. The documents together introduce a common understanding among jurisdictions to waive penalties for late GIR filing in their respective jurisdictions, clarify that certain businesses with 52-53 week fiscal years are eligible for the transitional UTPR safe harbour, and adds four new countries to the official list of jurisdictions that comply with QDMTT safe harbour requirements.

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



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