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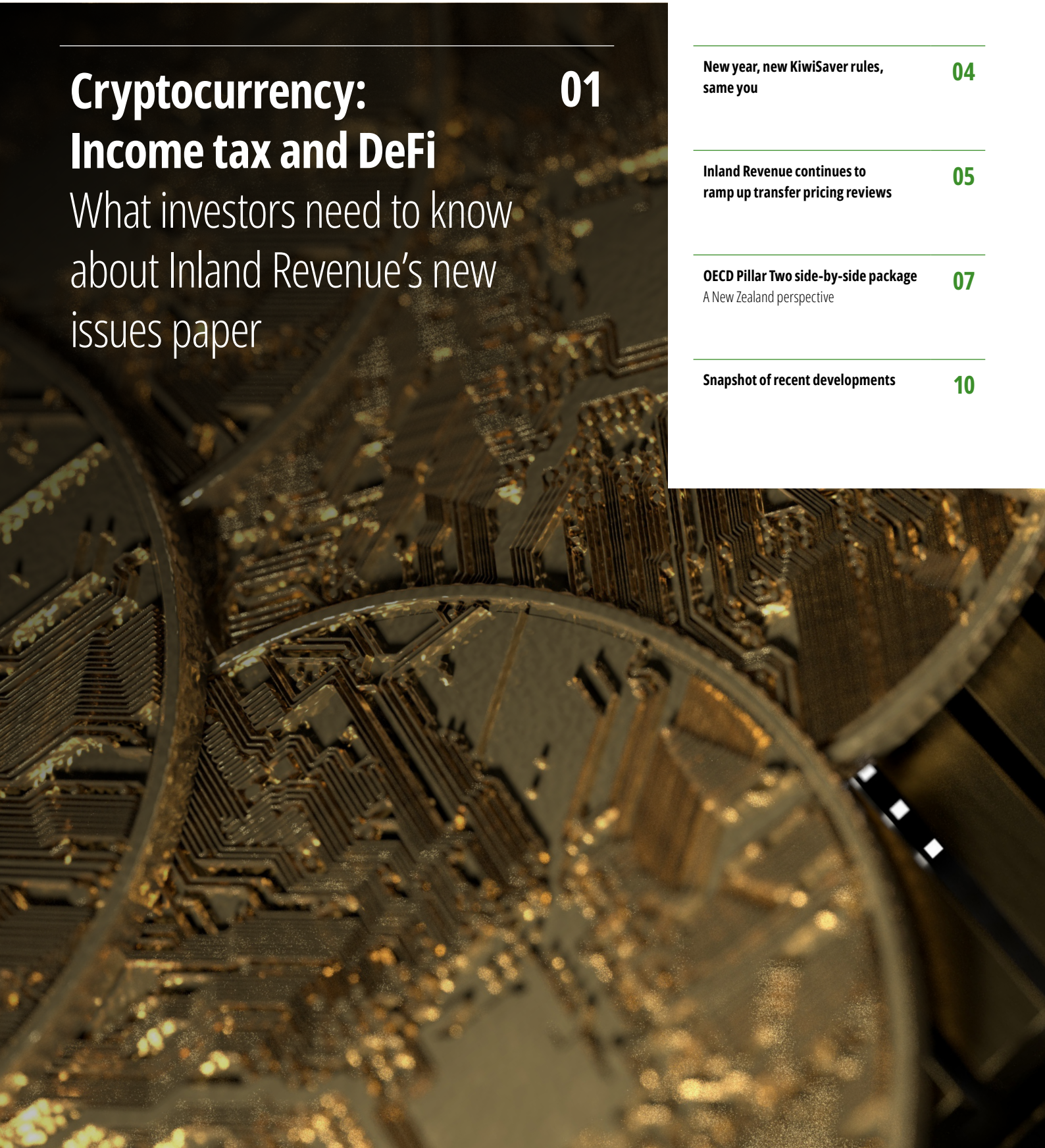
Tax Alert



Cryptocurrency: Income tax and DeFi 01

What investors need to know about Inland Revenue's new issues paper

Cryptocurrency: Income tax and DeFi

What investors need to know about Inland Revenue's new issues paper

By Kirsty Hallett and Ian Fay

Remember: in crypto, nothing is certain except volatility, innovation.... and tax.

With New Zealand gearing up to implement the cryptoasset Reporting Framework (CARF) from 1 April 2026, time is running out for taxpayers to get across their tax obligations before Inland Revenue gets much greater visibility of activities in the cryptoasset sector.

As the Decentralised Finance (DeFi) eco-system continues to expand with new platforms, products and possibilities, many investors are diving in head-first. However, the tax treatment of DeFi is not always what investors expect.

To help, Inland Revenue has released an issues paper Income tax – wrapping, bridging, lending, borrowing and staking cryptoassets (the paper) outlining Inland Revenue's thoughts on how existing laws apply to DeFi assets and transactions. It's not binding guidance (yet), but it provides a solid peek into Inland Revenue's current thinking on the income tax consequences of common DeFi transactions and, in particular, whether these activities involve taxable disposals of cryptoassets and acquisitions of different cryptoassets for tax purposes. The paper is open for consultation, with submissions due 12 March 2026.

Because the paper is an issues paper and not final binding guidance, it should be read as an indicator of Inland Revenue's current thinking as to how the current income tax rules apply to DeFi transactions based on their current understanding.

While the paper focuses on wrapping and bridging, lending, borrowing, and staking DeFi transactions, the paper provides useful insights into and serves as a reminder as to how taxpayers can expect Inland Revenue to interpret and apply the tax rules to a broader range of transactions.

For a refresher on the general tax obligations related to cryptoassets please see our August 2024 Tax Alert article.

What is DeFi (really)?

DeFi, or Decentralised Finance, is a growing financial eco-system using blockchain and smart contracts (self-executing digital agreements) to allow people to transact directly, without banks or brokers. In simple terms, it is 'online banking without the bank' (and a lot more jargon).

The issues paper focuses its guidance on DeFi transactions referred to as:

- Wrapping and bridging
- Lending
- Borrowing;
- Staking; and
- Briefly, providing collateral for a loan.

However, the principles discussed can be applied more generally to other types of transactions or arrangements in the DeFi ecosystem.

Key takeaways from Inland Revenue's initial views

Inland Revenue is sticking to its longstanding view that cryptoassets are property (not currency) and therefore are subject to the same rules as other personal property for tax purposes. Generally, this means selling, trading, or exchanging cryptoassets is taxable on realisation, where a person:

- Has a cryptoasset business
- Acquired the cryptoassets as part of a profit-making undertaking or scheme; or
- Acquired the cryptoassets for the dominant purpose of disposal.

Determining whether a disposal of a cryptoasset is a taxable transaction will depend on the taxpayer's circumstances. Inland Revenue typically expect cryptoasset transactions to give rise to taxable income. If an investor wants to assert that they did not acquire a cryptoasset for the dominant purpose of disposal Inland Revenue expects them to hold documentary evidence from the time they acquired the cryptoasset demonstrating a dominant purpose of acquiring it that does not require a disposal.

This means that when an investor's legal rights in relation to a cryptoasset are surrendered, exchanged, or replaced with different rights, as would typically occur as part of entering into a DeFi transaction this is likely to be viewed as a taxable disposal of property.

This is the case even if the investor retains 'economic' ownership of the cryptoasset.

In addition, where a person receives rewards for the use of their cryptoassets (often referred to as 'interest'), the rewards will usually be taxable when received.

When is a cryptoasset considered disposed of?

Unlike other examples of personal property such as shares, there is no register of ownership of digital assets. Rather ownership of a cryptoasset is determined by who holds the private key to the asset. The person that holds the private key for a cryptoasset is the only person that can deal with that cryptoasset.

The paper confirms that where a cryptoasset is no longer in the person's wallet and they no longer control the private key to access that cryptoasset, a disposal has occurred.

However, a disposal of a cryptoasset typically does not occur in the following situations:

- Moving cryptoassets between your own wallets.
- Sending cryptoassets to a custodian who holds it on trust for you (with the owner retaining a beneficial interest in those assets); or
- Using an individual vault or smart contract, where the cryptoassets remain separately identifiable and not pooled.

How common DeFi transactions are treated

Wrapping

Wrapping typically involves exchanging a native token (e.g. ETH) for a wrapped token (e.g. wETH) that is intended to track the same value as the native token but is a separate token with different legal and technical characteristics. Inland Revenue's initial view is that wrapping commonly involves disposing of one cryptoasset and acquiring another, because the investor's rights and the token held change. Therefore even if the economic value is identical, as the legal rights differ, wrapping and unwrapping may crystallise taxable gains (or losses).

Bridging

Bridging moves assets between blockchains using a bridge protocol. Depending on the design, the original token may be locked, burned, or otherwise put beyond the investor's direct control, with a different token (or representation) issued on the destination chain. Inland Revenue's view is that bridging can involve a disposal of the original cryptoasset and acquisition of a different cryptoasset, rather than a mere transfer. This means for tax purposes, based on the legal form, each bridge in and out may be a taxable transaction (even if you were just trying to chase a better yield on another chain).

Lending, borrowing and liquidity pools

DeFi lending and borrowing often involves supplying cryptoassets to a protocol (or liquidity pool) and receiving a receipt token or liquidity provider (LP) token in return. Later, the investor may redeem or burn that token to withdraw assets (sometimes plus yield). Lending transactions will almost always reshuffle legal ownership, even if temporarily. Inland Revenue's approach to respect the legal form of the transaction means each of the steps involved in the transaction must be analysed to determine if there is a separate disposal and acquisition.

Taxable triggers may include:

- Depositing tokens into a protocol where legal ownership/control is transferred or pooled;
- Receiving LP tokens, receipt tokens, or other derivative tokens as a new cryptoasset;
- Redeeming/burning LP tokens to withdraw underlying assets;
- Liquidation events (e.g., collateral sold) and protocol fees paid in cryptoassets; and
- Claiming or auto-compounding incentives that are received as new tokens.

Further, many lending or borrowing transactions involve the exchange of ownership of a cryptoasset for a right to acquire or receive cryptoassets in the future. These types of arrangements may be subject to the financial arrangement rules, bringing even more complexity than most investors expect.

Staking and DeFi Rewards

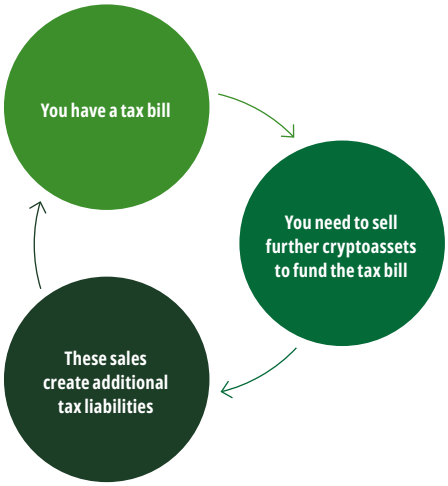
Rewards from staking, liquidity mining and governance token distributions will generally be taxable when you receive and take ownership of them, even where you don't ask for them.

Whether entering into a delegated staking arrangement (i.e. where a person gives a validator the right to use their cryptoassets as collateral in return for payment of rewards) will give rise to a disposal of the cryptoasset for tax purposes will depend on the fine print of the protocol, as the legal form of the transaction will determine the tax implications.

What does all this mean for Investors?

In a nutshell, DeFi tends to generate more taxable events than people realise. Investment strategies such as wrapping, bridging, lending and liquidity pool participation can rack up disposals (taxable events) quickly, often without producing liquid cash to fund the resulting tax bill.

This can create a frustrating cycle :



To help navigate the tax complexities it is crucial to seek professional tax advice before interacting with the complex DeFi protocols to ensure you understand your tax obligations.

Record-keeping is also crucial to help ease the compliance burden.

Is it time for a new cryptoasset-specific tax framework?

While the paper provides a comprehensive summary of how the current tax rules apply to various types of cryptoasset transactions, it highlights an important reality. The current tax rules (related to property) work, but they are complex and difficult to apply to the quickly developing and fast moving DeFi sector.

Complexity, compliance costs and timing challenges are the reality, particularly where tax liabilities are crystallised before liquidity. A new cryptoasset specific tax regime focused on taxing the economic substance of transactions could simplify compliance and better reflect the nature of modern digital transactions.

Alternatively, existing share-lending rules (already based on economic substance rather than legal form) potentially could be adapted to include cryptoasset arrangements.

Inland Revenue is actively seeking submissions on:

- Practical concerns;
- Administrative improvements;
- Whether current outcomes are 'right'; and
- Whether the law itself needs to evolve.

Have questions or want to provide feedback?

If you would like some help unpacking the issues paper, preparing a submission, or reviewing the tax treatment of your crypto asset activity, please reach out to your usual Deloitte advisor.

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New year, new KiwiSaver rules, same you

By Amy Sexton and Robyn Walker

Budget 2025 introduced a series of KiwiSaver changes that will impact the nearly 3.5 million New Zealanders with KiwiSaver accounts. These changes take effect between 1 July 2025 and 1 April 2028. One of the major adjustments, an increase in the default employer and employee contribution rates, begins shortly. It is therefore timely to remind both employees and employers of the upcoming changes.

Default employer and employee contribution rates

The Government is increasing the default KiwiSaver contribution rates from the current 3% to an eventual 4% (for both employee and employer contributions) phased in from 1 April 2026 to 1 April 2028.

Default employer and employee contribution rates

	Old rate	**New rate**
From 1 April 2026	3%	**3.5%**
From 1 April 2028	3.5%	**4%**

Considerations for employees

Do I have to pay the increased rate?

An increased rate of contributions means a smaller net pay packet. Some people may have tight budgets meaning there is no flex for increased contributions. If you don't want to increase contributions it's been possible to apply for a temporary rate reduction from 1 February 2026. This allows you to continue to contribute at the 3% rate when the default rate increases on 1 April 2026.

A temporary rate reduction can be for a set period of 3 to 12 months and can be renewed as often as needed.

If I have a temporary rate reduction, what rate does my employer pay?

Your employer can choose to pay the new default rate of 3.5% or match your temporarily reduced rate of 3%.

How do I apply for a temporary rate reduction?

Applications are submitted to Inland Revenue through the KiwiSaver account panel in myIR, using the KiwiSaver temporary rate reduction option. Once processed, Inland Revenue will issue a letter showing the start and end dates of the reduction. You must provide this to your employer and any future employers during the reduction period.

Considerations for employers

Employers should ensure payroll systems are updated to apply the new default rate from 1 April 2026. Processes must also be in place to correctly apply deductions for employees with approved temporary rate reductions. Employers should determine whether they will continue to contribute at the higher default rate for employees who have reduced their own contribution.

Contributions for 16 and 17-year olds

Also taking effect from 1 April 2026 is the extension of compulsory employer KiwiSaver contributions to eligible 16 and 17-year olds. Previously employer contributions were only compulsory for those aged 18 and 65. If your kids are working, this is an appropriate time to discuss whether they should join KiwiSaver to access employer and Government contributions (see below).

Government KiwiSaver contributions

From 1 July 2025, the Government contribution reduced from 50 cents to 25 cents for each dollar contributed. The maximum annual contribution therefore halves from $521.43 to $260.72. Individuals earning more than $180,000 of taxable income each year will no longer qualify.

The positive change is that 16 and 17-year-olds will now be eligible for the Government contribution.

If you have questions about the employer or tax implications of KiwiSaver, please contact your usual Deloitte adviser. Deloitte does not provide financial advice, so questions relating to KiwiSaver investment choices should be directed to an independent financial adviser.

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Inland Revenue continues to ramp up transfer pricing reviews

By Bart de Gouw, Liam O'Brien and Daniel Bendikson

With the release late last week of the 2025 International Questionnaire, Inland Revenue's flagship transfer pricing and international tax risk assessment tool, it is timely to give an update on some of the recent activity in the New Zealand transfer pricing landscape.

We also provide a handy transfer pricing acronym key at the end of the article to decode the unique language of transfer pricing.

New Zealand taxpayers with international operations should take note – transfer pricing continues to be an area of focus for Inland Revenue and being prepared for increased Inland Revenue engagement on this area should be top of mind as we progress through 2026.

Additional Inland Revenue transfer pricing resources

During the 2025 calendar year, Inland Revenue continued to bolster its specialist transfer pricing team, which now comprises four technical specialists (up from two 12 months ago) and ten case leads (up from six 12 months ago), along with the existing three Competent Authorities who sit in the International Revenue Strategy team. As flagged in our September 2024 Tax Alert, we anticipated that Inland Revenue was going to become considerably more active in reviewing and auditing taxpayers, and with this significant increase in resourcing, this is playing out across the taxpayer population, particularly for foreign owned multinationals.

Transfer pricing compliance campaign

An example of this activity is the transfer pricing compliance campaign that Inland Revenue launched on 10 October 2025 – referred to as the '2025 TP documentation campaign'.

Inland Revenue sent information request letters to a group of New Zealand taxpayers that Inland Revenue had identified, primarily through responses to the 2024 International Questionnaire, as having exposure to transfer pricing risk associated with:

- Having significant cross-border transactions; and/or
- High-risk transfer pricing transactions and structures.

These initial letters requested copies of the taxpayer's transfer pricing documentation (including both the New Zealand Local File and the group Master File) for the 2024 income year (which includes balance dates falling between 2 October 2023 and 30 September 2024), as well as intercompany agreements and a summary of the cross-border associated party transactions entered into during the year. Taxpayer's that received one of these initial letters had approximately five weeks to respond to the information requested.

Inland Revenue performed an initial review of the provided information and in mid-January 2026 issued following up letters notifying of either no further action or, in approximately 80% of cases, that Inland Revenue will be undertaking a more 'detailed review' of the taxpayer's transfer pricing arrangements. Inland Revenue's questions in this 'detailed review' phase have commenced and are detailed.

Our observations

Areas that piqued Inland Revenue's interest and which led to further questions being asked include:

- Use of the profit split method;
- Cross border associated party transaction values included in the transfer pricing documentation that do not reconcile with the disclosures included in the New Zealand financial statements;
- Transfer pricing documentation that has been prepared offshore with very limited (or no) localisation;
- Significant transactions or events (potentially unrelated to transfer pricing) that appear in the financial statements (or in other publicly available information) but are not adequately explained or covered in the transfer pricing documentation;
- Benchmarking against companies from markets that Inland Revenue does not consider to be suitably comparable to the New Zealand market, e.g. Asia Pacific;
- Loss positions;
- Material cross border associated party transactions with low tax jurisdictions; and
- High levels of inbound related party debt and high gearing levels.

What can taxpayer's do?

The areas of Inland Revenue interest summarised above can be split into two broad categories – those that are within a New Zealand taxpayer's control and those that aren't.

For those items that are within a taxpayer's control, it is important that the business descriptions and other factual statements in the transfer pricing documentation align with the commercial realities and other publicly available information that Inland Revenue will have access to.

Sometimes, however, there are factors outside of a New Zealand taxpayer's direct control which nonetheless may trigger interest from Inland Revenue, such as industry wide downturns or one-off transactions (that may or may not be related to related parties). In these instances, a taxpayer should consider including appropriate commentary/ explanations in the transfer pricing documentation or as a supplement to the International Questionnaires to give Inland Revenue comfort that these issues are commercial and not due to non-arm's length transfer pricing arrangements.

Inland Revenue expects New Zealand taxpayers to have New Zealand specific transfer pricing documentation to support the pricing applied to cross-border associated party transactions.

It is always easier to respond to Inland Revenue information requests when the documentation is prepared contemporaneously (i.e. before the income tax return for a particular income year is filed) rather than scrambling to meet an Inland Revenue information request. Having contemporaneous transfer pricing documentation also assists with penalties if Inland Revenue makes a transfer pricing adjustment as it helps to demonstrate that a taxpayer has taken reasonable care in respect of its transfer pricing positions.

Proactively managing transfer pricing positions and preparing supporting documentation is critical in the current environment where Inland Revenue is sufficiently resourced to interrogate taxpayer's positions.

If you have any questions on how to best manage your transfer pricing positions, please contact your usual Deloitte advisor.

Acronym key

- **IR** – Inland Revenue
- **IQ** – International questionnaire
- **IT** – International tax
- **MNC/MNE** – Multinational Corporation/Multinational Entity
- **TP** – Transfer pricing

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OECD Pillar Two side-by-side package

A New Zealand perspective

By Joe Sothcott, Young Jin Kim and Annamaria Maclean

2025 marked the first year multinational enterprise (MNE) groups became subject to the OECD's Global Anti-Base Erosion (GloBE) Pillar Two rules in New Zealand.

These OECD coordinated rules are intended to ensure that MNE groups pay a minimum effective tax rate of 15 percent on their income in each jurisdiction in which they operate.

However, the global implementation of Pillar Two has faced a number of challenges. In particular, the future of the GloBE rules was brought into question when the United States proposed to introduce section 899 under the One Big Beautiful Bill which could have imposed increased taxes on "discriminatory foreign countries". New Zealand was considered to be a discriminatory foreign country at the time as it had implemented certain aspects of the Pillar Two framework.

Before section 899 was formally enacted, an agreement was reached between the United States and its G7 partners to remove the provision from the legislation. In return, the United States secured an in principle exemption for US-headquartered MNE groups from the Pillar Two rules (see our August 2025 Tax Alert article).

Following further negotiations, on 5 January 2026 the OECD released the long-awaited GloBE Side-by-Side Package (SbS Package). The SbS Package gives effect to this agreement and introduces a range of additional amendments to the Pillar Two rules.

What is included in the SbS Package?

The SbS Package is not just a side-by-side system but includes additional new or extended safe harbours. The SbS Package comprises:

1. Simplified Effective Tax Rate Safe Harbour
2. Extension of the Transitional Country-by-Country Reporting Safe Harbour
3. Substance-based Tax Incentive Safe Harbour
4. Side-by-Side System, consisting of the Side-by-Side Safe Harbour and the Ultimate Parent Entity Safe Harbour

Permanent Simplified Effective Tax Rate Safe Harbour

The SbS Package introduces a permanent Simplified Effective Tax Rate (ETR) Safe Harbour. This safe harbour allows MNE groups, by election, to apply a streamlined ETR calculation based on financial statement data, subject to a limited set of prescribed adjustments.

Under this safe harbour, a jurisdiction qualifies where the simplified ETR is at least 15 percent, or where the jurisdiction is in a "simplified loss" position. Where the safe harbour applies, the jurisdiction is treated as having zero Pillar Two top-up tax for the relevant fiscal year, and a full GloBE calculation will not be required for that jurisdiction.

The Simplified ETR Safe Harbour generally applies for fiscal years beginning on or after 1 January 2027, with availability for earlier application in 2026 in certain circumstances.

Extension of the Transitional Country-by-Country Reporting Safe Harbour

The SbS Package also extends the Transitional Country-by-Country Reporting (CbCR) Safe Harbour by one additional year, to years beginning on or before 31 December 2027 and applying a 17% transitional rate. This extension avoids an abrupt compliance cliff and provides MNE groups with additional time to transition to the Simplified ETR Safe Harbour or the full GloBE calculations.

Substance-Based Tax Incentive Safe Harbour

The SbS Package introduces a new Substance-Based Tax Incentive Safe Harbour. By election, this safe harbour allows for certain qualifying tax incentives that are linked to substantive economic activity (expenditure based or production based) to be taken into account when determining Covered Taxes for Pillar Two purposes.

The availability of the safe harbour is subject to caps that are tied to the level of substance in the jurisdiction, ensuring that only incentives aligned with genuine economic activity are recognised.

An election to apply the Substance-Based Tax Incentive Safe Harbour can apply for income years beginning or on after 1 January 2026.

Side-by-Side System

The key feature of the SbS Package is the Side-by-Side System, which is designed to allow Pillar Two to coexist with domestic tax regimes that deliver comparable minimum tax outcomes.

Under the Side-by-Side Safe Harbour, MNE groups with their Ultimate Parent Entity (UPE) in a jurisdiction that has implemented a Qualified SbS Regime may elect to obtain relief from the application of the Income Inclusion Rule (IIR) and the Undertaxed Profits Rule (UTPR). Application of the Qualified Domestic Minimum Top-Up Taxes (QDMTTs), however, remain unaffected by the Side-by-Side Safe Harbour. As of January 2026, the United States is the only jurisdiction that qualifies under this regime.

The package also introduces a separate UPE Safe Harbour (to replace the Transitional UTPR Safe Harbour), which allows an election to switch off the UTPR in respect of UPE jurisdiction profits where the UPE jurisdiction has an eligible domestic minimum tax regime but does not have an eligible worldwide regime.

Both the Side-by-Side Safe Harbour and UPE Safe Harbour apply for fiscal years beginning on or after 1 January 2026.

A New Zealand perspective

The SbS Package should be automatically incorporated into New Zealand law under section HP 3 of the Income Tax Act 2007. However, there is some uncertainty regarding its practical application. This is particularly relevant for the Side-by-Side Safe Harbour, which is expected to apply for fiscal years beginning on or after 1 January 2026.

Importantly, the Side-by-Side Safe Harbour for US headquartered multinational groups does not apply in 2025 - the first year in which the Pillar Two rules take effect in New Zealand. As a result, we expect the New Zealand compliance obligations, including registration and the filing of the multinational top-up tax return, to remain for the 2025 year for all MNE Groups.

Availability

	Simplification		UTPR safe harbour	Side-by-side agreement		Incentives
	Transitional country-by-country (CbC)	Simplified effective tax rate (ETR)	Transitional under taxed profits rule (UTPR)	Side-by-side (SbS)	Ultimate parent entity (UPE)	Substance based tax incentive (SBTI)
2024	✓					
2025	✓		✓			
2026	✓	In some circumstances		✓*	✓	✓
2027	✓	✓		✓	✓	✓
2028		✓		✓	✓	✓

Qualified domestic minimum top-up tax (QDMTT) safe harbour and non-material constituent entity (NMCS) simplified calculations safe harbour also avaliable.
*Subject to countires being restricted from applying with retrospective affect.

At this stage it remains unclear moving forward how Inland Revenue will interpret the impact of the Side-by-Side Safe Harbour on these New Zealand compliance obligations. Deloitte will continue to engage with Inland Revenue to seek clarity on the intended compliance approach.

Unlike many other jurisdictions that have implemented the GloBE rules, New Zealand has not adopted the QDMTT. As such, MNE groups with a UPE located in a jurisdiction that has implemented a Qualified SbS Regime (currently the US) are likely to obtain full relief from the operation of the Pillar Two rules in New Zealand (expected for income years beginning on or after 1 January 2026). This differs from the position in many other jurisdictions, where such MNE groups are still required to comply with a local QDMTT in subsidiary countries.

For New Zealand headquartered MNEs, it will be important to consider how the SbS Package (and in particular, the first three safe harbours above) are implemented in other jurisdictions. Although New Zealand's legislation automatically incorporates any additional commentary or guidance issued by the OECD with respect to the GloBE rules, this is not expected to be the case in most jurisdictions.

Against this backdrop, New Zealand headquartered MNEs should be putting systems and processes in place to monitor and meet compliance obligations for previous income years and future years, potentially across multiple jurisdictions with different implementation timelines. With these changes, it is relevant to note that:

- The introduction of the Simplified ETR Safe Harbour for fiscal years beginning on or after 1 January 2027 (or potentially 1 January 2026 in certain circumstances) together with the extension of the Transitional CbCR Safe Harbour to the 2027 year provides additional choices of methods that could be applicable in the 2026 and 2027 years.
- Taxpayers should carefully assess the availability and interaction of these safe harbours, including the differing ETR thresholds (15% for the Simplified ETR Safe Harbour and 17% for the Transitional CbCR Safe Harbour ETR test for the relevant years).
- New data points will be required for the application of the Simplified ETR Safe Harbour and the Substance-Based Tax Incentive Safe Harbour that should be incorporated into systems and processes as needed.

What about the Global reaction?

Deloitte has written extensively about the SbS Package, and some perspectives from our colleagues around the world can be found below:

- OECD Pillar Two: Side-by-side package released
- OECD Pillar Two side-by-side package: An Australian perspective
- OECD Pillar Two side-by-side package: An US perspective
- OECD Pillar Two side-by-side package: A China and Hong Kong SAR perspective

And for more information about the application of the Pillar Two rules in New Zealand, please see:

- OECD Pillar Two rules enacted in New Zealand - navigating the 15% minimum tax for multinationals
- Pillar Two FAQs

If you have any questions about Pillar Two or the SbS Package, please contact your usual Deloitte advisor.

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Snapshot of recent developments

Tax legislation and Policy Announcements

FBT Prescribed Rate of Interest reduced

The Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations (No 3) 2025 were notified in the New Zealand Gazette on 27 November 2025 and came into force on 25 December 2025. The regulations amend the Income Tax (Fringe Benefit Tax, Interest on Loans) Regulations 1995 by reducing the rate of interest that applies for fringe benefit tax purposes to employment-related loans from 6.67% to 6.29%. The new rate applies for the quarter beginning on 1 October 2025 and for subsequent quarters.

On 10 December 2025, Inland Revenue published the associated Order in Council commentary.

Customs and Excise Goods Management Levies Order issued

The Customs and Excise (Goods Management Levies) Order 2025 was notified in the New Zealand Gazette on 27 November 2025 and comes into force on 1 April 2026, except for clause 16 (notification of levy rates) which came into force on 1 January 2026.

Customs and Excise Postal Articles Amendment Regulations issued

The Customs and Excise (Postal Articles) Amendment Regulations 2025 were notified in the New Zealand Gazette on 27 November 2025. The regulations came into force on 28 November 2025, except for regulation 7 (service fee for exported UPU mail) which comes into force on 1 April 2026.

Inland Revenue: Submissions on Inland Revenue's draft long-term insights briefing

On 1 December 2025, Inland Revenue released all submissions on the draft on its long-term insights briefing (LTIB), Stable bases and flexible rates: New Zealand's tax system.

Most Favoured Nation Clause on interest activated on tax treaty between New Zealand and Chile

On 3 December 2025, the Chilean tax administration published Circular No. 65/2025 confirming that the conditions for activation of the Most Favoured Nation clause on interest in the Chile - New Zealand Income Tax Treaty (2003) have been met.

New Zealand-Fiji double tax agreement review

On 8 December 2025, the first round of negotiations between the Inland Revenue and the Fiji Revenue Customs Service (FRCS) commenced to review the double tax agreement between the countries. The negotiation was formally opened by the Commissioner of Inland Revenue.

Use of Money Interest rates decrease

On 8 December 2025, The Taxation (Use of Money Interest Rates) Amendment Regulations (No 2) 2025 Order in Council was passed. The new rates came into force on 16 January 2026. The taxpayer's paying rate of interest on underpaid tax decreases from 9.89% to 8.97% per annum. The paying rate of interest on overpaid tax is decreased from 3.27% to 2.25% per annum.

Targeted policy consultation on not-for-profits

On 15 December 2025, Inland Revenue Policy published further information on the targeted consultation in relation to not-for-profits.

Tax Administration (Extension of Application Deadline for Research and Development Tax Credits) Order 2025

On 23 December 2025, Inland Revenue issued SL 2025/259. This Order in Council extends Research & Development tax Incentive (RDTI) general approval due date for businesses with a September balance date for the 2024–25 income year. The extension changed the due date from the last day of the third month after the end of the income year (31 December 2025) to 15 January following the end of the income year (15 January 2026).

Inland Revenue Statements and Guidance

Product Ruling: Breeding Bloodstock and the sale of progeny

On 24 October 2025, Inland Revenue issued BR Prd: 25/07. This product ruling sets out the Commissioner of Inland Revenue's view on the income tax treatment of a bloodstock lease-to-purchase arrangement offered by New Zealand Bloodstock Finance and Leasing Limited. The ruling applies for the period 24 October 2025 to 31 March 2031 and is binding on the Commissioner of Inland Revenue for taxpayers who enter into the arrangement as described.

Inland Revenue: High-priced bloodstock yearlings at Karaka or Christchurch 2026 eligible for tax deductions

On 28 November 2025, Inland Revenue announced that new investors who purchase high-priced yearlings (thoroughbred and standardbred) with the intention of breeding for profit, will be able to claim income tax deductions as if they were operating an existing bloodstock breeding business. However, if the yearling is later sold, any profit from that sale will be subject to income tax.

Tax Information Bulletin: December 2025

On 1 December 2025, Inland Revenue issued TIB Vol 27, No 11 (December 2025):

Determination

- FDR 2025/06: Determination the fair dividend rate method may not be used to calculate FIF income by investors in the Nuveen Global Sustainable Bond Fund – Class X NZD Distributing (H) share class

Binding Rulings

- BR Prd 25/05: Ministry of Education
- BR Prd 25/06: Ministry of Education

Interpretation statements

- IS 25/22: GST – Secondhand goods input tax deduction
- IS 25/23: GST – Meaning of payment
- IS 25/24: Income tax and GST – industries other than forestry registered in the Emissions Trading Scheme
- IS 25/25: Income tax – business activity

Question we've been asked

- QB 25/21: Income tax – Public private partnership projects and business continuity test for losses

Technical decision summaries

- TDS 25/24: The supply of accommodation in a serviced apartment
- TDS 25/25: Restructure and transfer of shares
- TDS 25/26: How does the business continuity test apply to a consolidated group?

Public Guidance Work Programme 2025-26 (December 2025)

On 8 December 2025, Inland Revenue updated the current Public Guidance Work Programme for 2025-25.

Inland Revenue: Tax agents survey results July – September 2025

On 9 December 2025, Inland Revenue released the results of the tax agents survey for the period of July-September 2025.

Inland Revenue: Accounting for cyber security incidents

On 10 December 2025, Inland Revenue announced that there has been a significant rise in business email compromise (BEC) targeting tax agents. In these cyber-attacks, a staff member's email account is taken over and used to send convincing emails to colleagues or external contacts. The emails often contain malicious links or requests for money or sensitive information.

Draft Interpretation Statement: GST financial services – Services supplied in relation to retirement schemes

On 11 December 2025, Inland Revenue released PUB00522: GST financial services – Services supplied in relation to retirement schemes. The consultation considers how GST applies to services provided by a retirement scheme's manager to the scheme, and by outsourced third-party providers to that manager, focusing on whether those services qualify as exempt financial services under s 14(1)(a) of the Goods and Services Tax Act. In particular, it addresses the meaning of "management of a retirement scheme", whether outsourced providers can be supplying management services, and whether they can make exempt financial services supplies outside s 3(1)(j).

Submissions close on 27 February 2026.

Inland Revenue - Question We've Been Asked: Do the purchase price allocation rules alter the tax book values of Farmland Improvements and listed horticultural plants under subpart DO?

On 15 December 2025, Inland Revenue published QB 25/22 Do the purchase price allocation rules alter the tax book values of Farmland Improvements and listed horticultural plants under subpart DO? Under subpart DO, a purchaser of farmland with Farmland Improvements and listed horticultural plants who carries on a farming business on the land is allowed an annual amortisation deduction of the diminished values of the improvements and plants. This publication considers whether the purchase price allocation rules alter this treatment. It concludes they do not.

Draft Interpretation Statement: GST treatment of short-stay accommodation

On 15 December 2025, Inland Revenue published PUB00477 GST treatment of short-stay accommodation and accompanying factsheet Should I register for GST if I provide short-stay accommodation. The draft Interpretation Statement updates IS 20/04 and QB 19/09. The draft Interpretation Statement discusses the GST treatment of short-stay accommodation provided by hosts either through an electronic marketplace or directly to guests.

The deadline for submission is 16 February 2026.

Inland Revenue: Near maximum home detention sentence for unpaid tax

On 17 December 2025, Inland Revenue published details of director who's companies failed to pay PAYE that was deducted from employee's salaries to Inland Revenue, totalling close to $1m. He also claimed more than $250,000 from COVID-19 relief schemes. The man, who was bankrupted in May 2022, was sentenced to 11 months home detention, to be served at his $7m property.

Inland Revenue: Planned system outage in March 2026

On 17 December 2025, Inland Revenue announced that they are planning a system update over the weekend of Saturday 14 and Sunday 15 March 2026. This is to prepare for changes coming into effect on or before 1 April 2026. Online services including myIR, SPK2IR and gateway services. More details will be provided closer to time.

Draft Interpretation Statement: GST – Court-award costs and disbursements

On 19 December 2025, Inland Revenue published PUB00516 GST: Court-awarded costs and disbursements for consultation. The draft Interpretation Statement considers whether court-awarded costs, disbursements and out-of-court settlement payments for costs and disbursements are subject to GST. This statement does not consider the GST treatment of court awards and out-of-court settlement payments more generally (e.g. payments of damages).

Submission close 20 February 2026.

Inland Revenue Prosecution Guidelines – Commissioner's Statement

On 19 December 2025, Inland Revenue published CS 26/01: Inland Revenue Prosecution Guidelines. It set out how Inland Revenue will conduct its prosecution activity, subject to the Solicitor General's Prosecution Guidelines. The statement confirms Inland Revenue's prosecution function as a targeted enforcement tool applied only after other compliance responses have been assessed as inadequate.

Interpretation Statement: The Commissioner's duty of care and management – section 6A of the Tax Administration Act 1994

On 23 December 2025, Inland Revenue published IS 25/26: The Commissioner's duty of care and management – section 6A of the Tax Administration Act 1994. The statement sets out the Commissioner of Inland Revenue's "care and management" duty under section 6A of the Tax Administration Act 1994 and how it operates alongside other statutory duties, particularly regarding s 6 (protecting the integrity of the tax system).

Inland Revenue: Overviews – Gifting

On 7 January 2026, Inland Revenue updated their Tax Technical website Overviews page on gifting which includes links to Inland Revenue guidance on gifting in relation Income tax and GST.

Inland Revenue: 2026 Child support payments – receiving carers

On 12 January 2026, Inland Revenue announced that those expecting child support payments from Inland Revenue should expect to receive them by the 21st of each month, unless the 20th falls on a weekend.

Inland Revenue: Final year Fees Free

From 15 January 2026, eligible learners can apply through myIR for Final-year Fees Free, reimbursing up to $12,000 for the final year of tertiary study or final two years of Level 3+ work-based learning. Fees Free is non-taxable and does not affect Working for Families or Child Support. It replaces the first-year Fees Free scheme, and learners who used first-year Fees Free are not eligible.

Inland Revenue: New reporting rules for crypto-asset service providers

On 20 January 2026, Inland Revenue published details of New Zealand's adoption of the Crypto-Asset Reporting Framework (CARF) developed by the OECD. This international exchange framework will increase the visibility of activities in the crypto-asset sector. New Zealand based RCASPs (Reporting Crypto-Asset Service Providers – any individual or entity carrying out the exchange or conversion of crypto-assets on behalf of users as a business, including those serving as a counterparty, intermediary or providing a trading platform) are required to collect the required information from 1 April 2026 with the first reporting due by 30 June 2027. More information on the Crypto-Asset Reporting Framework can be found here. Any questions on the framework can be sent to Inland Revenue at CARF@ird.govt.nz.

Inland Revenue: Overdue EMP and GST debt and returns

On 20 January 2026, Inland Revenue announced their continued focus on collection of overdue debt and returns, with a focus on GST and employer (EMP) debt.

The focus is taxpayers with debt who have been through a full billing cycle but not yet responded to Inland Revenue. If further attempts to contact do not lead to a positive outcome, Inland Revenue may take the following actions:

- A visit to the taxpayer
- A bank deduction
- Other enforcement action (including bankruptcy or liquidation).

Client's debt can be managed through myIR.

Inland Revenue: Registering new business tax accounts

On 22 January 2026, Inland Revenue updated the way registrations for certain new business tax account types in myIR with account types being separated into logical groups that can be found in the Intermediary Centre under client registration/register client for international exchange of information account.

The account types affected are:

- **CBC** – Country by Country Reporting
- **DPI** – Digital Platform Information
- **FATCA** – Foreign Account Tax Compliance Act
- **CRS** – Common Reporting Standard.

Inland Revenue: Severe weather conditions in Northland, Bay of Plenty, Tairāwhiti, Thames-Coromandel and Hauraki

On 27 January 2026, Inland Revenue reminded taxpayers that if they have been affected by the severe weather conditions, they do not need to contact Inland Revenue right now and should focus on recovering from the damage caused. Inland Revenue may be able to help with a number of areas including under the income equalisation scheme.

Inland Revenue: Changes to Best Start from 1 April 2026

On 29 January 2026, Inland Revenue reminded that, as announced in Budget 2025, Best Start payments for children born on or after 1 April 2026 will be means tested, payments reducing if a household's annual income exceeds $79,000 and stopped if income exceeds $97,000. This change does not affect payments for children born before 1 April 2026.

International updates

New Zealand DTAs Now Available

The following recently signed tax treaties are now available:

- Croatia: New Zealand-Croatia DTA
- Iceland: New Zealand-Iceland DTA

Australia: When and how the Pillar Two rules apply

On 17 December 2025, the ATO updated its online guidance on how the Pillar Two global and domestic minimum tax rules work and when and who they apply to.

Australia: A New Tax System (Wine Equalisation Tax) (New Zealand Producer Rebate Claim Lodgment) Determination 2026

On 28 January 2026, the ATO published A New Tax System (Wine Equalisation Tax) (New Zealand Producer Rebate Claim Lodgment) Determination 2026. It sets out the rules for when New Zealand wine producers can lodge claims for the wine equalisation tax producer rebate as a wine tax credit.

OECD updates

Release of OECD Corporate Tax Statistics

On 25 November 2025, the OECD released the 2025 edition of OECD Corporate Tax Statistics that highlight an increase in corporate tax revenues on average across 131 jurisdictions. The report also showed a continued stabilisation of corporate tax rates, with the average combined statutory corporate income tax rate remaining at about 21% across Inclusive Framework jurisdictions. R&D tax reliefs have also stabilised.

OECD Public Consultation on the Global Mobility of Individuals

On 26 November 2025, the OECD/G20 Inclusive Framework issued a public consultation document on the global mobility of individuals. The consultation paper considers the tax issues generated by remote workers working overseas. The paper focuses on tax issues related to personal income tax and employment income. It also looks at challenges with respect to corporate income tax such as PE issues, profit attribution to PEs, residence questions, and transfer pricing. The consultation is seeking additional input, evidence and experience to support the Inclusive Framework in understanding the issues. The submission deadline closed on 22 December 2025.

Joint Statement for the automatic exchange of information on immovable property

On 4 December 2025, 25 jurisdictions including New Zealand announced their intention to join the OECD's new tax transparency initiative – the Multilateral Competent Authority Agreement on the Automatic Exchange of Readily Available Information on Immovable Property (IPI MCAA) – by 2029 or 2030.

Public Trust in Tax 2025: Asia and Beyond

On 4 December 2025, the OECD published Public Trust in Tax 2025: Asia and Beyond. The report provides insights into public perceptions on tax, and public trust in tax systems from 29 countries, primarily in Asia, but also from Latin America, Western Europe and the Pacific.

International community meets to reflect on latest advances in global tax transparency

On 2-4 December, the Global Forum on Transparency and Exchange of Information for Tax Purposes held its 18th Plenary meeting in New Delhi, India.

Several key publications were launched:

- The Global Forum Annual Report, presenting the latest impact results and a detailed overview on capacity- building, monitoring and peer-reviewing activities.
- The 2025 Update of the Peer Review of the Automatic Exchange of Information (AEOI) on Financial Accounts, summarising the latest assessments of jurisdictions' legal frameworks put in place to implement the AEOI standard on financial accounts and their effectiveness in practice.
- The Crypto-Asset Reporting Framework (CARF) Monitoring and Implementation Update, setting out progress on commitments and implementation of the CARF framework providing for the automatic exchange of tax relevant information on crypto-assets.
- The Information Security Management Maturity Assessments 2025, presenting the work carried out under a dedicated capacity-building initiative aimed at assisting developing countries in engaging in AEIO.

Labour taxes drive OECD tax revenues to record high in 2024

On 9 December 2025, OECD published the Revenue Statistics 2025 that showed higher revenues from labour taxes drove tax revenues among OECD countries to their highest-ever level 2024. The average tax-to GDP ratio across countries reached 34.1% of GDP in 2024. New Zealand is among the 13 countries whose tax-to-GDP ratio has declined (33.7% to 32.9%).

Report: Digital Continuous Transactional Reporting for Value Added Tax

On 10 January 2026, the OECD published their report on Digital Continuous Transactional Reporting for Value Added Tax. This report examines the design and operation aspects of digital continuous transactional reporting (DCTR) regimes for value added tax (VAT).

Guatemala joins the Inclusive Framework on BEPS

On 12 January 2026, The OECD announced that Guatemala has become the 148th jurisdiction to join the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting.

Global Mobility of Individuals consultation comments published

On 14 January 2026, the OECD published the comments received on its global mobility of individuals consultation. The replay of the OECD's public meeting on the Global mobility of individuals consultation can be found here.

Fiji joins Multilateral Convention to tackle tax evasion and avoidance

On 15 January 2026, Fiji signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. With Fiji's signing, participation rises to 152 jurisdictions.

Sixth meeting of the OECD Global Forum on VAT

On 26-28 January 2026, the sixth meeting of the OECD Global Forum on VAT was held in Paris.

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

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Queries or comments regarding Tax Alert including joining our mailing list, can be directed to the editor.

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