

Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill

Government Bill

As reported from the Finance and Expenditure Committee

Commentary

Recommendation

The Finance and Expenditure Committee has examined the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill and recommends by majority that it be passed. We recommend all amendments by majority.

About the bill as introduced

The bill is an omnibus bill that seeks to amend the following Acts:

- Income Tax Act 2007
- Goods and Services Tax Act 1985
- Tax Administration Act 1994
- KiwiSaver Act 2006
- Unclaimed Money Act 1971
- Student Loan Scheme Act 2011
- Child Support Act 1991
- Criminal Proceeds (Recovery) Act 2009
- Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act 2025
- Taxation (Budget Measures) Act 2025
- Tax Administration (Financial Statements—Domestic Trusts) Order 2022.

The policy proposals within the bill include:

- setting the annual rates for the 2025–26 tax year

- provisions for the tax treatment of non-resident visitors undertaking remote work while visiting New Zealand
- introducing the new revenue account method (RAM) for calculating foreign investment fund (FIF) income
- various provisions aimed at improving current settings for tax administration, the goods and services tax (GST) regime, KiwiSaver, and social policy rules administered by Inland Revenue.

Legislative scrutiny

As part of our consideration of the bill, we have examined its consistency with principles of legislative quality. We have no issues regarding the legislation’s design to bring to the attention of the House.

Proposed amendments

In this commentary, we focus on the main changes we recommend to the bill. We have organised our comments by topic, rather than by following the order of the clauses as they appear in the bill.

The recommendations we discuss in this commentary cover the following topics:

- Tax treatment of New Zealand visitors
- Foreign investment fund – revenue account method
- GST and unincorporated joint ventures
- Employee share scheme tax deferral regime
- Income from residential supply of excess energy
- Overseas donee status.

We are also recommending an amendment to the Māori Fisheries Amendment Act 2024, which would ordinarily be outside the scope of the bill. During our consideration, we sought and received the permission of the Business Committee to recommend this amendment.

Remedial and minor amendments

The bill would make numerous remedial amendments designed to ensure that tax legislation works as intended. We have recommended further changes of a similar nature. Apart from some minor amendments recommended in the “Other matters” section below, we generally do not discuss minor and technical amendments in this commentary.¹

¹ For a list of all changes we are recommending, refer to Inland Revenue’s Departmental Report, pp 348–360.

Amendment paper

We note that the Minister of Revenue is intending to release an amendment paper during the committee of the whole House. We received a briefing from Inland Revenue officials on the content of the amendment paper during our consideration of the bill.

Tax treatment of New Zealand visitors

In January 2025, changes were made to the visitor visa immigration settings to allow individuals to undertake remote work for a foreign employer or client while visiting New Zealand. This remote work may create New Zealand tax obligations, and existing reliefs, such as those under a double tax agreement, may not be sufficient to fully mitigate New Zealand tax obligations or liabilities.

The bill would allow certain visitors to New Zealand (“non-resident visitors”) to be present in New Zealand for 275 days in an 18-month period without necessarily becoming a New Zealand tax resident. The non-resident visitor must be a tax resident in another country for income tax purposes and would remain liable for tax on any New Zealand-sourced income other than exempt income from remote work for a non-resident business.

Commencement date for the non-resident visitor rules

Clause 98 would insert section YD 1B in the Income Tax Act 2007 to specify the rules for determining when a person is a “non-resident visitor” whose income from remote work is exempt from New Zealand tax. We recommend amending clause 98 by inserting new subclause (2) to specify that these rules would only apply to a person who commences a visit to New Zealand on or after 1 April 2026.

Requirement that income be taxed in residence jurisdiction

As introduced, clause 98 provides that a person who visits New Zealand is a non-resident visitor if “they are a tax resident in a country or territory that imposes a tax that is substantially the same as income tax imposed under this Act.” This is intended to ensure that income earned by a non-resident visitor while in New Zealand is subject to income tax in the person’s country of residence. The international tax framework seeks to avoid both double taxation and double non-taxation of income as far as practically possible.

Submitters pointed out that the requirements should consider situations where a jurisdiction other than the residence jurisdiction taxes the income in question. We agree, and propose expanding the requirement for income to be taxed in the residence jurisdiction to another situation.

We recommend amending clause 98, new section YD 1B(2)(h), to account for non-resident visitors in New Zealand that are liable to tax in a country or territory outside New Zealand on the basis of citizenship. This change would make the proposed benefits available to a broader group of visitors while still addressing integrity concerns. We recommend similar amendments to the wording in clause 15, new sections CW 22B to CW 22D.

Backdating of non-residence by foreign jurisdiction

Clause 97 would amend section YD 1 of the Income Tax Act 2007. Proposed new subsection (14) provides that, if a person who is a non-resident visitor no longer meets the requirements set out in proposed new section YD 1B(2), which would be inserted by clause 98, and is lawfully present in New Zealand, the person is only treated as a resident for tax purposes from the first day the person stops being a non-resident visitor.

We agree with submitters that a person potentially losing their non-resident visitor status due to a backdated change in their tax residence status in another jurisdiction does not align with the policy intent. The intent is for people to have confidence to visit New Zealand for longer periods of time and to be subject to the existing tax residence rules.

We recommend amending clauses 15, 97, and 98 so that any backdated cessation of a person's tax residence in another jurisdiction would be disregarded when assessing whether the person is a tax resident in another jurisdiction. This change is intended to support a person who has found themselves in the situation of ceasing their tax residence in another jurisdiction retrospectively.

Interaction of transitional residence rules and non-resident visitor rules

The policy intent of the proposed rules is that, from the point a person ceased to be a non-resident visitor (for reasons other than continuing to remain in New Zealand unlawfully), the existing tax rules would apply. This includes transitional residence rules.

We agree with submitters that the transitional residence rules should be amended to clarify how they interact with the proposed non-resident visitor rules. To do so, we recommend inserting new clause 75C, to amend section HR 8 of the Income Tax Act 2007.

“Substantially the same” income tax requirement for non-resident visitor test

Some submitters raised concerns that a visitor may not be able to easily apply their circumstances to the “substantially the same” income tax test, to determine whether their jurisdiction's income tax system meets the requirement. This uncertainty may act as a disincentive to work remotely from New Zealand.

We recommend amending the new sections that would be inserted into the Income Tax Act 2007 by clauses 15 and 98(1). Our amendment aims to simplify the requirement for a non-resident visitor to be liable for tax in their home jurisdiction by removing the “substantially the same” as income tax under New Zealand law requirement. The person would only need to determine whether they are liable to tax in that jurisdiction on the basis of residence or citizenship, irrespective of the nature, form, or rate of tax proposed. This approach would simplify the application of the rules.

Disregard non-resident visitor activities for head office corporate residence test

Clause 99(1) would amend the Income Tax Act 2007 by inserting new section YD 2(1C) to provide exemptions to the centre of management and director control corporate residence tests. The activities of a non-resident visitor present in New Zealand would be disregarded when determining whether a company is tax resident in New Zealand. As a result, New Zealand residence-based tax obligations and compliance costs would not be imposed on the company as a result of the non-resident visitor's short-term visit to New Zealand.

We agree with submitters that the activities of a non-resident visitor should also be disregarded for the purposes of the head office corporate residence test. This exclusion would provide greater certainty, especially for small business owners who undertake a short visit to New Zealand. We recommend amending clause 99(1) accordingly.

“Substantially the same” income tax requirement for corporate residence test

The disregarding of a non-resident visitor's activities for the purpose of New Zealand's corporate tax residence tests in proposed clause 99(1) requires the entities to be resident in a country that imposes a tax that is substantially the same as New Zealand income tax. One submitter questioned the need for this restriction, noting that it had not been imposed for the purposes of determining whether a fixed or permanent establishment existed in New Zealand.

To simplify the rules, we recommend amending clause 99(1) to omit the requirement that the foreign company be resident in a jurisdiction that imposes a tax that is substantially the same as New Zealand's income tax.

Impact of retrospectivity on non-resident employer

The bill proposes that a person who breaches their visa conditions, such as by overstaying, would be deemed to have never had non-resident visitor status. One submitter noted that this has the potential to adversely affect a foreign employer who has reasonably relied on this status for an employee. They suggested that the loss of any tax concessions for the foreign employer should only be from when the breach first occurred.

We acknowledge this point, and suggest that for anyone other than the non-resident visitor, the loss of tax concessions should be prospective, from the date the person's non-resident visitor status ceased. We recommend amending clauses 97 and 98 accordingly.

The approach would remain retrospective for an individual who breached their visa conditions—that is, they would lose all tax concessions they would have otherwise been eligible for during the period they have been in New Zealand.

Student loan eligibility criteria

A person may be a non-resident for tax purposes but a New Zealand-based borrower for student loan purposes. As the borrower, they would be required to declare income

from all sources including income and adjustments that apply to them as if they were a New Zealand resident (“adjusted net income”). Their non-resident overseas income would be included when calculating their student loan repayment obligation for a relevant tax year.

We recommend inserting new clause 180B to insert new paragraphs (aa) and (aab) into clause 5 of schedule 3 of the Student Loan Scheme Act 2011. This amendment would make clear that although the income earned by a non-resident visitor would be included in the proposed income tax exemptions, it would not be treated as exempt income for student loan purposes.

Foreign investment fund – revenue account method

The bill would introduce a new calculation method to determine a person’s foreign investment fund (FIF) income. The new method, the revenue account method (RAM), is intended to provide targeted relief to lower the tax barrier for migrants who are considering moving to New Zealand, and for returning New Zealanders who hold shares in foreign companies.

The bill would amend the Income Tax Act 2007 to add the RAM as a new FIF calculation method. The RAM would tax dividends derived and gains on disposal from qualifying FIF interests on a realisation basis. The RAM would only be applicable to certain direct income interests in foreign companies.

The bill also proposes that an eligible person may apply the RAM to all foreign shares if they are generally liable to tax in another country on the disposal of those shares on the basis of their citizenship or a right to work and live in that country. This “extended RAM” would only apply if the person was subject to concurrent taxation in another country with which New Zealand has a tax treaty.

Dividends and disposals for extended RAM taxpayers

Clause 56 would insert new section EX 56B into the Income Tax Act 2007. It sets out the provisions for calculating FIF income or loss under the new RAM.

Rollover relief for corporate reorganisation

We considered situations where a corporate reorganisation has resulted in disposal of a FIF but there has been no liquidity event or change to the shareholder’s overall interest. We agree with submitters that rollover relief should be provided in such cases. We were advised that this was inadvertently omitted from the bill as introduced.

We note that rollover relief for corporate reorganisation should in principle only be available to extended RAM taxpayers. This is because aligning the tax treatment in New Zealand with the tax treatment in other jurisdictions is important for eliminating double taxation and reducing uncertainty as to whether foreign tax credits would arise in either jurisdiction. When concurrent taxation is not a risk, such as in the case of RAM taxpayers, the ordinary New Zealand treatment of such corporate actions should prevail.

We recommend amending proposed section EX 56B by inserting new subsection (16) to provide that an extended RAM taxpayer would be eligible for rollover relief in New Zealand if they would be eligible for rollover relief in the other jurisdiction in which they are also subject to tax. If the other jurisdiction would not provide rollover relief, then the dividend derived or the gain on disposal, whichever the case may be, would be taxed in New Zealand.

Definition of dividend

We agree with submitters that the tax treatment of corporate actions should be aligned because different tax rates may apply in the other jurisdiction. For example, in the United States, dividends are taxed as ordinary income at the person's marginal income tax rate, while gains on disposal are taxed as a capital gain with a top rate of 20 percent. However, when the taxpayer is not subject to concurrent taxation, as is the case with RAM taxpayers, we do not consider alignment with other jurisdictions appropriate. RAM interests held by RAM taxpayers would only be taxed in New Zealand, so if a transaction is treated as a dividend under New Zealand rules, it is a broader question whether this is the appropriate outcome. We consider this beyond the scope of this proposal.

In addition to the rollover relief provisions recommended in our proposed new section EX 56B(16), we recommend including wording that ensures that tax on income derived from an extended RAM interest is in line with its tax treatment in the other jurisdiction where the RAM taxpayer is also subject to tax.

Ring-fencing of RAM losses

Clauses 38 and 60 of the bill as introduced would insert new sections DN 8B and EX 59B into the Income Tax Act 2007, setting out the provisions for RAM losses to be available to offset RAM gains only.

We agree with submitters that losses arising from the disposal of RAM interests should be available to offset dividends from RAM interests and that this would be consistent with other FIF calculation methods. However, the RAM proposal does not take the qualifying FIF interests out of the FIF regime and tax them under ordinary income concepts. The treatment of RAM losses should remain consistent with other FIF calculation methods, where FIF losses may only offset income from FIFs arising under the same calculation method.

We recommend amending new section DN 8B(2), inserted by clause 38, and new section EX 59B(3), inserted by clause 60, to allow RAM losses to offset dividend income derived from RAM interests.

When taxpayers must elect to use RAM

Some recent migrants or returning New Zealanders may become subject to the FIF rules in the 2025 income year. They would have to choose a FIF calculation method even though the RAM would not be available in the 2025 income year. Under the bill as introduced, taxpayers would fail the proposed test if they had to use another FIF calculation method before the RAM becomes available in the 2026 income year.

We recommend amending the bill by inserting clause 67B, new section EZ 32H (Person using another method for RAM interest before 1 April 2025), into the Income Tax Act. This transitional provision would clarify that a taxpayer would be eligible to use the RAM even if they had to use another FIF calculation method in the 2025 income year.

RAM applied on portfolio basis

Some submitters do not support the RAM applying on a portfolio basis to all RAM interests. We heard that eligibility tests for a RAM interest would not be straightforward and easy to apply, and that the incorrect application of these rules would inadvertently result in the RAM not being available. One submitter suggested that, instead, the RAM should be optional on a “per security” basis with a minimum lock-in period for changing to a different FIF method for that security. Another submitter suggested that taxpayers should retain the ability to apply the attributable FIF income method to RAM interests despite the current proposal that RAM apply on a portfolio basis. We heard that, without this amendment, it could result in the RAM being viewed as punitive rather than facilitative.

The submissions raise a wider point around how the proposal that the RAM apply on a portfolio basis interacts with other requirements of the FIF rules.

We recommend amending clauses 51, 61(3), and 95(8B) to allow excluded RAM interests to be ignored. This would include inserting new section EX 46B(6B) (Meaning of excluded RAM interest) via clause 51. These changes would allow taxpayers to apply a mandated FIF calculation method or the attributable FIF income method to eligible RAM interests without losing their eligibility to apply the RAM to other RAM interests.

Redemption facility criterion

The RAM is intended to ease cashflow pressure resulting from FIF liability on illiquid pre-migration holdings. We agree with submitters that a FIF interest that does not have available a true redemption facility for market value is, in substance, illiquid and should not be precluded from being a RAM interest. However, we are wary of trying to legislate fine lines around when a redemption facility is or is not arm’s length. We consider that the requirement for the redemption facility to be arm’s length achieves the policy intent without introducing unnecessary complexity. Instead, guidance should be provided by Inland Revenue on the characteristics of an effective redemption facility in its Act commentary.²

We therefore recommend amending new section EX 46B(5)(a)(iv), to be inserted by clause 51, to insert the word “effective” in front of “redemption facility”. This would make clear that only an effective redemption facility would preclude a FIF interest that meets all other criteria from being an eligible RAM interest.

² Act commentary publications can be found on Inland Revenue’s website.

RAM should be available to treaty non-residents

We agree with submitters that individuals should be eligible to use the RAM if they tie-break to New Zealand under a double tax agreement on or after 1 April 2024, provided they have also been a non-resident under a double tax agreement (or under New Zealand domestic law) for a continuous period of at least 5 years before tie-breaking to New Zealand.³ This is because those people will have had no reason to engage with the New Zealand tax rules on foreign investments, similar to people who have been non-resident under New Zealand domestic rules. As a consequence of this recommended change, we also recommend that FIF interests acquired while the individual was a non-resident under a double tax agreement should be eligible to be RAM interests, provided those interests meet all other requirements proposed in the bill. We were advised that this amendment is necessary to make the proposal workable because these FIF interests would otherwise not be eligible, having been acquired while the individual was a New Zealand tax resident under New Zealand domestic law.

To achieve this, we recommend amending new sections EX 46B(3), (7)(a), and (8)(a), which would be inserted by clause 51. This would allow treaty non-residents (that is, New Zealand tax residents treated as non-tax residents under a double tax agreement) who tie-break to New Zealand on or after 1 April 2024 to be eligible to apply the RAM. We also recommend amendments to new section EX 46B(5)(a)(ii), inserted by clause 51, and new section EX 56B(7), inserted by clause 56, to allow FIF interests acquired by a treaty non-resident before they tie-broke to New Zealand to be eligible RAM interests if they meet all other criteria.

Foreign accruals

Clause 56 sets out the formula for calculating the net disposal amount. The formula takes into account disposal proceeds, cost, and foreign accruals, which are defined in EX 56B(5).

Submitters told us that the term “foreign accruals” needs to be clarified and identified the following issues:

- It is not clear whether the gains accrued during a taxpayer’s transitional residence are included.
- It may not currently include gains and losses that accrued while an individual is tie-broken to another jurisdiction under a double tax agreement.
- Gains and losses that accrue in a period when another FIF calculation method is used should be excluded from the calculations under the RAM, to avoid a risk of double taxation.

We accept the concerns raised by submitters and note that the intention is not to tax those interests in the situations raised by submitters. We recommend changes to

³ Double tax agreements have “tie-breaker” rules if a person or an entity is a tax resident in New Zealand and another country or territory to determine how the person or entity should be taxed.

clauses 56, 62(3), and 63 to clarify and amend the proposed calculation of taxable FIF income to preclude gains and losses accrued during a taxpayer's transitional residence, non-residence under a double tax agreement, and while they were applying a different FIF calculation method.

Deferred realisation tax

When a person leaves New Zealand, the bill would deem a disposal of the person's RAM interests at market value. Submitters questioned whether the deemed disposal provisions would be workable, and suggested they might cause anomalous outcomes.

We understand that deferred realisation tax is proposed to be payable only on actual disposals within three years of a person ceasing to be a New Zealand resident. Deemed disposals would not trigger the tax. We received advice that the proposal would only apply to gains or losses accrued in New Zealand. This means the calculation of the tax payable would use the market value of the interest at the time the person departs New Zealand, not the amount received when the interest is subsequently disposed of.

We understand that the tax would be on a New Zealand tax resident's foreign-sourced income, despite the payment not being required until they cease to be a New Zealand resident, which is allowed under section BD 1(4) of the Income Tax Act 2007 and New Zealand's double tax agreements. We were advised that exit taxes are common in jurisdictions with capital gains tax regimes, so the proposal is not novel.

To clarify that interest and penalties would not be charged if the deferred realisation tax is deemed to arise in the year of departure, we recommend inserting new clauses 164B and 165B. These would insert new sections 120PB (Suspended recognition of income on deemed disposal of RAM interest) and 139BB (Imposition of late payment penalty when suspended recognition of income for RAM interest) into the Tax Administration Act 1994.

Interests no longer meeting RAM interest criteria

One submitter told us that a taxpayer should be able to continue to apply the RAM when a RAM interest later falls out of scope of RAM eligibility, such as when an unlisted share later becomes listed on a recognised stock exchange. We heard that a deemed disposal at this point, which is generally outside the taxpayer's control, would potentially result in the same liquidity and double tax issues the proposal is addressing.

We understand that the current proposal has been designed to target shares that are illiquid because the liquidity issue is less acute for shares that can readily be sold at market value. However, we accept that this situation is different because the deemed disposal would generally be triggered by factors outside the taxpayer's control. We are also concerned that the deemed disposal could result in a significant tax liability, creating a liquidity issue that may force the taxpayer to sell the interest to fund the tax impost. This would be at odds with the policy objective.

We recommend amending the bill so that the RAM would continue to apply to a RAM interest that no longer meets the eligibility criteria, unless the taxpayer decides to apply an alternative method. To achieve this, we recommend amending clause 51 to insert new section EX 46B(4B) (Revenue account method for previously eligible RAM interests), and amending clause 62(3) by removing proposed section EX 63(7).

Deemed disposal on migration

We accept that deeming an acquisition of RAM interests on coming to New Zealand is not necessary given the standard calculation and time-based apportionment formulae as currently proposed. However, a deemed disposal on becoming a non-resident would be necessary for the proposed exit tax rules to work.

As a consequence of other recommended changes, we recommend removing clause 63, which proposes changes to section EX 64 of the Income Tax Act 2007. Instead, we recommend providing for a similar deemed disposal provision by inserting new section EX 56B(11B), via clause 56.

GST and unincorporated joint ventures

The bill proposes amendments to the Goods and Services Tax Act 1985 (GST Act) to resolve problems with the unincorporated body rules as they apply to joint ventures.

The rules would be amended to allow the members of a joint venture to choose to account individually for GST on supplies made or received for the venture under their own GST registrations (referred to as “flow-through treatment”) rather than registering the joint venture separately. The new approach would be consistent with common practice in some industries.

Default treatment of joint venture

Submitters had differing views on what the default treatment for a joint venture should be. We agree with the view that the current GST rules for unincorporated bodies should apply to all joint ventures by default, with the ability for joint venturers to elect flow-through treatment. Our below recommendation to remove the concept of an “output-sharing joint venture” from the bill would achieve this result.

Output-sharing joint ventures

Clause 108 would amend section 2 of the GST Act. Among other changes, subclause (9) would insert a new definition of “output-sharing joint venture.”

Submitters told us that “output-sharing joint venture” may not adequately cover all cases and would impose compliance costs on taxpayers for them to confirm whether they fit within the definition. We heard concerns that members of output-sharing joint ventures may have no other option but to apply flow-through treatment.

We consider that the issues arising from the distinction between output-sharing joint ventures and other types of joint ventures could be addressed by removing the distinction altogether. This would simplify the proposal by ensuring that the same set of rules applies to all joint ventures and by requiring only two categories of joint venture

in the legislation—“flow-through joint ventures” and “ordinary joint ventures”—instead of four. To achieve this, we recommend removing subclauses 108(3) and 108(9) from the bill.

Time frame for election and notifying changes

Submitters disagreed with the proposed 21-day time frame for notifying the Commissioner of Inland Revenue of either a flow-through election or a change in the membership of a flow-through joint venture.

We recommend that the Commissioner should have the discretion to accept late flow-through joint venture elections and backdate them as appropriate. To achieve this, we recommend amending clause 128 to insert new section 57B(2B).

Employee share scheme tax deferral regime

The proposed changes in the bill would allow unlisted companies to elect into a regime where employees who receive shares as part of an employee share scheme (ESS) can defer their tax liability until the shares can be more easily valued and sold, the liquidity event date.

Liquidity events without corresponding liquidity

Clause 40 would insert new section EA 4B (Deferred tax for unlisted employee share schemes) into the Income Tax Act 2007.

Submitters identified various events that would constitute a liquidity event under this proposed new section when a shareholder would not necessarily have gained the rights to a liquid asset and therefore could not satisfy their tax liability.

We agree that a liquidity event, and the corresponding realisation of a tax obligation, should not be triggered when the shareholder does not have an asset that can be liquidated. The intention of the proposed rules is to allow shareholders to defer their tax liability until they have the means to satisfy the tax obligation, and these events would not meet the intention of the proposed rules. However, events that give the shareholder the option to liquidate their shares, even if not exercised, should remain covered as liquidity events.

We recommend amending clause 40 by inserting new section EA 4B(4B). New section EA 4B(4B) would ensure that shareholders that have a liquidity event but have not received, or become entitled to, a liquid asset would be entitled to continue to defer the taxing date until the next qualifying liquidity event.

Payment of a dividend triggering a liquidity event

Submitters raised a range of concerns about the payment of dividends qualifying as a liquidity event:

- The legislative definition of “dividend” in the Income Tax Act 2007 is broader than just cash dividends, so the receipt of some non-cash (therefore non-liquid) dividends would trigger a tax obligation on the employee share income.

- Employees may be unable to satisfy their deferred tax obligation when the value of the dividend is lower than the deferred tax liability.
- The dividend may not have been paid at the time it is declared, meaning the employee has not received any income to satisfy their deferred tax obligation.
- Taxing the shares at their pre-dividend value, while also then taxing the dividend itself, results in double taxation of the value of the dividend.

We agree with submitters that the current proposals would trigger tax obligations on receipt of a dividend in many situations when the taxpayer would not have the corresponding liquidity to satisfy that obligation. This is at odds with the intention of the deferral rules and would impose high costs relative to the concerns about integrity of the system. We therefore recommend that dividends be removed as a liquidity event from the proposed rules in section EA 4B.

Employee election into the deferral regime

Under the bill as introduced, only employers would be entitled to designate ESS shares as subject to the proposed deferral rules. Submitters told us it is unclear whether, when an employer issues shares to more than one employee with one issuance, the employer can designate one employee's shares as deferred and not designate the others the same.

We understand the intention of the rules is that different ESS shares can have different designations. We therefore recommend amending clause 40 to clarify that different employees can have different ESS deferral status.

Income from residential supply of excess electricity

An individual can generate electricity from their residential property for their own use and sell any excess to their electricity retailer. The retailer either pays the individual or provides them with a credit or discount for the electricity supplied.

The bill proposes to introduce a tax exemption for income derived by an individual from the residential supply of excess electricity. Amounts subject to the exemption would be treated as exempt income of the individual, meaning individuals would not be subject to tax or reporting requirements on that income. However, these individuals would no longer be entitled to deductions for expenses relating to the supply of excess electricity.

The proposed amendment would be effective for the 2026–27 and later income years.

Exemption should be limited to residents of dwelling

We heard from submitters that only persons residing in a property, whether as owners or tenants, should be eligible for the tax exemption on income from the residential supply of excess electricity. Many submitters expressed concern that the exemption would provide a tax advantage for landlords, allowing them to earn significant untaxed income.

We do not agree that the proposed exemption would provide a tax advantage for landlords, as they would be unable to claim deductions relating to the electricity income. However, we still recommend narrowing the exemption to only apply when the person deriving income is a resident of the dwelling (either as owner-occupier or tenant). This is because the proposed exemption, if it applied to landlords, would increase compliance costs as it would require landlords to apportion costs that relate to both the taxable rental income and exempt electricity income.

We therefore recommend amending clause 19 to insert the words “occupied as a residence by the person” into proposed new section CW 61B(2).

Overseas donee status

Clause 104 would amend Schedule 32 of the Income Tax Act 2007, which lists overseas-based charities to which a donation entitles the donor to a tax benefit. The bill proposes technical changes to the list of organisations in Schedule 32 to remove two charities that have ceased operations, facilitate the restructuring of two charities from incorporated societies to trusts, and update the legal reference for one charity. We recommend additional maintenance changes to this list to account for charities that have changed names and to remove the names of inactive charities.

Māori Fisheries Amendment Act

We received a submission suggesting an amendment to the shareholder continuity relief provisions in Schedule 2, clause 7 of the Māori Fisheries Amendment Act 2024.

Admissible amendments to non-tax Acts via a taxation bill should relate to taxation policy and be in the service of the Commissioner’s powers to collect or enforce taxation. The requested change to the Māori Fisheries Amendment Act relates to the taxation consequences of a non-tax policy. Therefore, this amendment would be out of scope.

We sought approval from the Business Committee to consider the proposed amendment. On 11 February 2026, we were given permission to consider the out-of-scope amendment under Standing Order 300(2).

Shareholder continuity relief

Te Ohu Kaimoana Trust Limited told us that a technical change is needed to the tax transitional rules in the Māori Fisheries Amendment Act. We heard that the current construction of the rules in Schedule 2, clause 7 fails to prevent a breach of shareholder continuity during Aotearoa Fisheries Limited’s restructuring as mandated by the Act. This therefore risks the loss of Māori authority credits. Te Ohu Kaimoana Trust Limited proposed an amendment to broaden the scope of clause 7 to include cancelled ordinary shares and converted income shares so that any Māori authority credits are maintained.

The tax policy approach to government-mandated restructurings that achieve wider government objectives has been to provide transitional tax relief in legislation. A key policy objective of this approach is to ensure that the reform is carried out in a tax-

neutral manner without any tax costs arising solely because of the restructuring. General tax rules are expected to apply going forward.

Te Ohu Kaimoana Trust Limited is an intermediary body whose goal is to implement the final fisheries settlement with iwi for the benefit of all Māori. It has always held the shares in Aotearoa Fisheries Limited for the benefit of iwi with the purpose of distributing the settlement assets to iwi. That is, iwi have always been the economic owners of the assets and the Act facilitates the distribution of assets by transfer of legal ownership and control. The cancellation of Aotearoa Fisheries Limited's ordinary shares by the Act should not in principle create a breach of shareholder continuity.

We agree with the submitter that a change to Schedule 2, clause 7 of the Act should be made to ensure that it includes the cancellation of ordinary shares as required by the Act. We recommend that clause 7(1) be amended so that its scope includes the cancellation of shares set out in Schedule 2, clause 2(1) and ensures the restructuring of the ownership interests does not give rise to a breach of shareholder continuity. To achieve this, we recommend inserting new clause 187B (Amendment to Māori Fisheries Amendment Act 2024) into the bill.

Other matters considered

We also wish to note the following matters that we considered, which result in some minor amendments to the bill.

Information gathering and sharing powers

Section 17GB of the Tax Administration Act 1994 allows the Commissioner to collect information for a purpose relating to the development of policy for the improvement or reform of the tax system. Clause 141 of the bill as introduced would repeal section 17GB.

Clause 143 as introduced would insert new section 18HB into the Tax Administration Act 1994. New section 18HB would enable the Commissioner to disclose sensitive revenue information to other government agencies on a regular basis under a ministerial agreement, provided appropriate safeguards and transparency requirements are in place.

Clauses 152 and 153 would repeal the specific trust disclosure provisions in sections 59BA and 59BAB of the Tax Administration Act 1994.

We received many submissions for and against the bill's proposal to repeal Inland Revenue's powers to request tax policy information, repeal the trust disclosure rules, and to introduce ministerial agreements for information sharing. Aside from the minor amendments to clause 143 that we are recommending, we recommend, by majority, that the bill's proposals proceed.

We were advised that the Commissioner would not have a mandatory power to require the provision of information for the sole purpose of policy development following the proposed repeal of section 17GB. This means the Commissioner would need to rely on his other information-gathering powers, such as section 17B. We con-

sider, by majority, that these will be sufficient sources of information for future tax policy work.

We paid careful attention to privacy concerns about information shared by Inland Revenue. The bill as introduced does not raise concerns that Inland Revenue does not already manage for existing information-sharing powers.⁴ The bill would provide a quicker means of agreeing information sharing. We recommend minor amendments to new section 18HB(3)(a), which would be inserted by clause 143, to align the bill with the Privacy Act 2020.

Following the proposed repeal of the trust disclosure rules, we consider that the Commissioner will have sufficient powers to request information necessary to administer the trust tax rules.

Gift cards

The bill as introduced proposes a number of remedial amendments that would allow employers to treat certain types of gift cards (sometimes referred to as “open loop cards”)⁵ provided to employees as subject to fringe benefit tax rather than PAYE. The bill would introduce a generic gift card definition and a gift card fringe benefit.

Based on feedback from submitters and officials, we recommend the following minor amendments:

- Amending the definition of “gift card” to include cards that are “used to purchase goods and services” to ensure that both open and closed loop cards are included in the definition (clause 95(12)).
- Replacing the “in lieu of remuneration” requirement with a targeted “purpose or effect of defeating the application of the Child Support Act 1991” (clause 21).
- Modify the treatment of gift cards to better align with current unclassified benefits (clauses 21B and 86).

New Zealand Labour Party differing view

The Labour Party opposes this bill. While supportive of many of the measures being taken to ensure that the tax system is coherent, the Labour Party is opposed to the provisions that will enable Inland Revenue to share information about individual taxpayers with other government agencies more easily. Successive governments have worked to ensure that New Zealanders trust the tax system and trust Inland Revenue to administer it fairly and not disclose their personal tax affairs to outsiders. The new

⁴ Further information about the Commissioner’s information-gathering powers can be found in Inland Revenue’s Departmental Report—Supplementary Information, which is available on the Parliament website.

⁵ “Open loop” cards are gift cards that can be used like cash. “Closed loop” cards are specific to one vendor and can only be redeemed at that vendor.

information-sharing powers mean that anyone’s personal tax affairs could be disclosed to other agencies. While Inland Revenue has strict rules about which employees may access information about individual taxpayers, and it polices those rules rigorously, the same protocols may not apply in other agencies.

This is a significant change to the rules that protect the privacy of taxpayers’ information. We note that the Office of the Privacy Commissioner has concerns about these proposals.

Green Party of Aotearoa New Zealand differing view

The Green Party of Aotearoa New Zealand opposes this bill.

Our fundamental opposition is rooted in the changes to the income tax settings. The Green Party fundamentally believes that the tax brackets should be adjusted to create a tax-free threshold at the lower end of the tax bracket while increasing the rates at the top, to enable a fairer distribution of resources in society—but the changes this bill enables will take us further away from that.

The changes to the legislation which will remove the ability of IRD to collect information to enable policy development to improve the tax system (Section 17GB) is deeply problematic and emblematic of the way this Government has managed the economy. Rather than enabling evidence-driven approaches that would have enabled productivity and growth—it has done the opposite—with this section literally removing the ability for IRD to provide advice on how we can have a tax system and tax settings that enable a modern, productive, and sustainable economy. The removal of this section will be of great relief to the 311 wealthiest families in Aotearoa that have more wealth than the bottom 50 percent.

The digital nomad tax exemptions reflect the Government’s distracted and incoherent approach to public policy. At the same time the Government has clamped down on remote work, it is apparently encouraging remote working here from non-New Zealanders. While sustainable tourism should be encouraged, the digital nomad tax exemptions mean that the costs tourism imposes on communities have to be borne even more by these communities instead of tourists. Instead of this change to digital nomads, we would have liked to see a focus on fixing the issues in our tax system that mean that, for example, migrants bringing savings over have it treated as income rather than as savings.

There are some minor changes this bill makes that we do support—such as the incentives for renewable generation, but those are overshadowed by both the things in this bill that we do not support, and also the wider policy objectives that this bill will enable.

Appendix

Committee process

The Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill was referred to this committee on 10 September 2025.

We called for submissions on the bill with a closing date of 23 October 2025. We received and considered submissions from 275 interested groups and individuals. We heard oral evidence from 31 submitters. We wish to acknowledge the efforts of all submitters and thank them for their engagement.

Advice on the bill was provided by the Inland Revenue Department and our independent specialist adviser, John Cantin. The Office of the Clerk provided advice on the bill’s legislative quality.

Committee membership

Cameron Brewer (Chairperson)

Dan Bidois

Hon Barbara Edmonds

Ryan Hamilton

Francisco Hernandez (from 11 February 2026)

Nancy Lu

Hon Dr Deborah Russell

Todd Stephenson

Chlöe Swarbrick (until 11 February 2026)

Rawiri Waititi

Dr David Wilson

Hon Dr Megan Woods

Related resources

The documents we received as advice and evidence are available on the Parliament website.

Taxation (Annual Rates for 2025–26, Compliance
Simplification, and Remedial Measures) Bill

Key to symbols used in reprinted bill

As reported from a select committee

text inserted by a majority

~~text deleted by a majority~~

Hon Simon Watts

Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill

Government Bill

Contents

	Page
1 Title	11
2 Commencement	11
Part 1	
Annual rates of income tax	
3 Annual rates of income tax for 2025–26 tax year	13
Part 2	
Amendments to Income Tax Act 2007	
4 Amendments to Income Tax Act 2007	13
5 Section CC 15 amended (New investment assets: change of use)	13
<u>5B Section CC 15 replaced (New investment assets: change of use)</u>	<u>13</u>
<u>CC 15 New investment assets: change of use</u>	<u>13</u>
6 Section CD 36 amended (Foreign investment fund income)	15
7 Section CD 44 amended (Available capital distribution amount)	15
8 Section CE 1 amended (Amounts derived in connection with employment)	16
9 New section CE 1BA inserted (Reimbursement of employee expenditure for benefit)	16
<u>CE 1BA Reimbursement of employee expenditure for benefit</u>	<u>16</u>
10 Section CE 7B amended (Meaning of share scheme taxing date)	17
11 Section CF 1 amended (Benefits, pensions, compensation, and government grants)	17
12 Section CQ 5 amended (When FIF income arises)	18
13 Section CV 19 amended (Additional income for certain imputation credits)	18

**Taxation (Annual Rates for 2025–26, Compliance
Simplification, and Remedial Measures) Bill**

<u>13B</u>	<u>Section CW 17 amended (Expenditure on account, and reimbursement of, employees)</u>	<u>18</u>
<u>13C</u>	<u>New section CW 17BA inserted (Reimbursement of expenditure paid as employment income)</u>	<u>18</u>
	<u>CW 17BA Reimbursement of expenditure paid as employment income</u>	<u>18</u>
14	Section CW 19 amended (Amounts derived during short-term visits)	19
15	New sections CW 22B to CW 22D and CW 22C inserted	19
	CW 22B Amounts derived by non-resident visitors during visits	19
	CW 22C Amounts derived by non-residents from non-resident visitors in New Zealand	19
	<u>CW 22D Treatment of non-resident visitors for sections CW 22B and CW 22C</u>	<u>20</u>
16	Section CW 38 amended (Public authorities)	20
17	Section CW 38B amended (Public purpose Crown-controlled companies)	20
18	Section CW 39 amended (Local authorities)	20
19	New section CW 61B inserted (Income from supply of excess electricity from dwelling)	20
	<u>CW 61B Income from supply of excess electricity from dwelling</u>	<u>21</u>
20	Section CX 2 amended (Meaning of fringe benefit)	21
21	New section CX 16B inserted (Gift cards)	21
	<u>CX 16B Gift cards</u>	<u>21</u>
<u>21B</u>	<u>Section CX 17 amended (Benefits provided to employees who are shareholders or investors)</u>	<u>21</u>
<u>21C</u>	<u>Section CX 24 amended (Benefits related to health or safety)</u>	<u>21</u>
22	Section CX 26 amended (Non-liable payments)	22
23	Section CX 37 amended (Meaning of unclassified benefit)	22
24	Section CX 57B amended (Amounts derived during periods covered by calculation methods)	22
25	Section DE 1 amended (What this subpart does)	22
26	Section DE 2B amended (Election to use kilometre rate method or costs method)	22
27	Section DE 5 amended (Actual records)	22
28	Section DE 7 amended (Logbook requirements)	22
29	Section DE 9 amended (Inadequate logbook)	23
30	Section DE 10 amended (Variance during logbook term)	23
31	Section DE 11 amended (Replacement vehicles)	23
32	Section DE 12 amended (Kilometre rate method)	23
<u>32B</u>	<u>Section DI 1 amended (New investment assets)</u>	<u>23</u>
33	Section DI 2 amended (When this subpart applies and does not apply)	23
34	Section DI 3 replaced (Meaning of new asset transferee)	24

**Taxation (Annual Rates for 2025–26, Compliance
Simplification, and Remedial Measures) Bill**

	DI 3	Meaning of new asset transferee	24
<u>34B</u>		<u>Section DI 4 amended (Meaning of new investment asset)</u>	<u>24</u>
<u>34C</u>		<u>New section DI 4B inserted (Treatment of certain items as assets)</u>	<u>24</u>
	<u>DI 4B</u>	<u>Treatment of certain items as assets</u>	<u>24</u>
<u>34D</u>		<u>Section DI 5 amended (New investment asset deduction)</u>	<u>25</u>
35		Section DI 6 amended (Relationship to cost, calculations, etc, in other provisions)	25
36		Section DN 5 amended (Foreign investment fund loss)	26
37		Section DN 6 amended (When FIF loss arises)	26
38		New section DN 8B inserted (Ring-fencing cap on deduction: revenue account method)	26
	<u>DN 8B</u>	<u>Ring-fencing cap on deduction: revenue account method</u>	<u>27</u>
39		Section DV 27 amended (Employee share schemes)	27
40		New section EA 4B inserted (Deferred tax for unlisted employee share schemes)	27
	<u>EA 4B</u>	<u>Deferred tax for unlisted employee share schemes</u>	<u>27</u>
41		Section EA 5 amended (Income from disposal of original shares under share-lending arrangements)	29
42		Section EE 38 amended (Items of low value)	29
43		Section EE 40 amended (Transfer of depreciable property on or after 24 September 1997)	29
44		Section EW 5 amended (What is an excepted financial arrangement?)	29
<u>44B</u>		<u>Section EW 54 amended (Meaning of cash basis person)</u>	<u>30</u>
45		Section EW 57 amended (Thresholds)	30
<u>45B</u>		<u>Section EW 58 amended (Financial arrangements, income, and expenditure relevant to criteria)</u>	<u>31</u>
<u>45C</u>		<u>Section EW 60 amended (Trustee of deceased's estate)</u>	<u>31</u>
46		Section EX 20B amended (Attributable CFC amount)	31
47		Section EX 29 amended (Attributing interests in FIFs)	31
48		New section EX 43B inserted (Exemption for share users in returning share transfers)	31
	<u>EX 43B</u>	<u>Exemption for share users in returning share transfers</u>	<u>31</u>
49		Section EX 44 amended (Five calculation methods)	32
50		Section EX 46 amended (Limits on choice of calculation methods)	32
51		New section EX 46B inserted (Limits on choice of revenue account method)	32
	<u>EX 46B</u>	<u>Limits on choice of revenue account method</u>	<u>32</u>
52		Section EX 48 amended (Default calculation method)	37
53		Section EX 51 amended (Comparative value method)	37
54		Section EX 53 amended (Fair dividend rate periodic method)	37
55		Section EX 55 amended (Deemed rate of return method)	37
56		New section EX 56B inserted (Revenue account method)	38
	<u>EX 56B</u>	<u>Revenue account method</u>	<u>38</u>

**Taxation (Annual Rates for 2025–26, Compliance
Simplification, and Remedial Measures) Bill**

57	Section EX 57 amended (Conversion of foreign currency amounts: most methods)	42
58	Section EX 58 amended (Additional FIF income or loss if CFC owns FIF)	42
59	Section EX 59 amended (Codes: comparative value method, deemed rate of return method, fair dividend rate method, and cost method)	42
60	New section EX 59B inserted (Ring-fencing RAM net losses)	42
	EX 59B Ring-fencing RAM net losses	42
61	Section EX 62 amended (Limits on changes of method)	43
62	Section EX 63 amended (Consequences of changes in method)	44
63	Section EX 64 amended (Migration of persons holding FIF interests)	45
64	Section EX 65 amended (Changes in application of FIF exemptions)	45
65	Section EX 68 amended (Measurement of cost)	45
66	Section EX 71 amended (Non-market transactions in FIF interests)	45
67	Section EY 11 amended (Superannuation schemes providing life insurance)	46
<u>67B</u>	<u>New section EZ 32H inserted (Person using another method for RAM interest before 1 April 2025)</u>	<u>46</u>
	<u>EZ 32H Person using another method for RAM interest before 1 April 2025</u>	<u>46</u>
68	Section FB 1B amended (Meaning of settlement of relationship property and property)	47
69	Section FC 9 amended (Residential land transferred to executor, administrator, or beneficiary on death of person)	47
70	Section FO 2 amended (Amalgamation rules)	47
71	Section GC 4 amended (Disposals and acquisitions of FIF attributing interests)	47
72	Section HC 25 amended (Foreign-sourced amounts: non-resident trustees)	47
73	Section HL 10 amended (Further eligibility requirements relating to investments)	47
74	Section HM 12 amended (Income types)	47
<u>74B</u>	<u>Section HM 27 amended (When multi-rate PIE no longer meets investor interest adjustment requirements)</u>	<u>47</u>
75	Section HM 35 amended (Determining net amounts and taxable amounts)	48
<u>75B</u>	<u>Section HM 35B amended (Treatment of certain provisions made by multi-rate PIEs)</u>	<u>48</u>
<u>75C</u>	<u>Section HR 8 amended (Transitional residents)</u>	<u>48</u>
<u>75D</u>	<u>Section HR 9BAA amended (Meaning of originator)</u>	<u>48</u>

**Taxation (Annual Rates for 2025–26, Compliance
Simplification, and Remedial Measures) Bill**

<u>75E</u>	<u>Section HR 9BA amended (Elections to treat debt funding special purpose vehicles as transparent)</u>	<u>49</u>
<u>75F</u>	<u>Section HR 10 amended (What happens when vehicle stops being transparent debt funding special purpose vehicle?)</u>	<u>49</u>
<u>75G</u>	<u>Section HR 10B amended (What happens when persons stop being originators?)</u>	<u>49</u>
<u>75H</u>	<u>Section HZ 9 amended (Elections to treat existing debt funding special purpose vehicles as transparent)</u>	<u>51</u>
<u>75I</u>	<u>Section HZ 10 amended (What happens when election is made under section HZ 9?)</u>	<u>51</u>
<u>75J</u>	<u>New section HZ 12 inserted (Amalgamation of Crown Research Institutes)</u>	<u>51</u>
	<u>HZ 12 Amalgamation of Crown Research Institutes</u>	<u>51</u>
76	Section IA 7 amended (Restrictions relating to ring-fenced tax losses)	52
77	Section LD 1 amended (Tax credits for charitable or other public benefit gifts)	52
78	Section LE 1 amended (Tax credits for imputation credits)	52
79	Section LJ 2 amended (Tax credits for foreign income tax)	52
80	New section MH 6 inserted (Orders in Council for FamilyBoost)	52
	MH 6 Orders in Council for FamilyBoost	53
81	Section MK 2 amended (Eligibility requirements)	53
82	Section RA 21 amended (Regulations)	53
83	Section RC 38 amended (Crediting income tax with early-payment discount)	54
84	Section RD 8 amended (Scholar payments)	54
<u>84B</u>	<u>Section RD 20B amended (Treatment of certain support payments made for period of more than 1 year)</u>	<u>54</u>
85	New section RD 38B inserted (Gift cards)	54
	RD 38B Gift cards	54
86	Section RD 45 amended (Unclassified benefits)	54
87	Section RD 47 amended (Attribution of certain fringe benefits)	55
88	Section RD 49 amended (Application of thresholds to attributed benefits)	56
89	Section RD 50 amended (Employer’s liability for attributed benefits)	56
90	Section RD 53 amended (Pooling non-attributed benefits)	56
91	Section RD 64 amended (ESCT rules and their application)	56
92	Section RE 10B amended (Amounts withheld from distributions to holders of FIF attributing interests)	56
<u>92B</u>	<u>Section RF 3 amended (Obligation to withhold amounts of tax for non-resident passive income)</u>	<u>56</u>
<u>92C</u>	<u>Section RF 12 amended (Interest paid by approved issuers or transitional residents)</u>	<u>57</u>

**Taxation (Annual Rates for 2025–26, Compliance
Simplification, and Remedial Measures) Bill**

93	Section RL 1 amended (Residential land withholding tax)	57
94	New cross-heading and section RZ 17 inserted	57
<i>Interest rate on employment-related loans</i>		
	RZ 17 Interest rate on employment-related loans: transitional provision	57
95	Section YA 1 amended (Definitions)	57
96	Section YA 2 amended (Meaning of income tax varied)	62
<u>96B</u>	<u>Section YB 16 amended (Exceptions for certain trusts and charitable organisations)</u>	<u>62</u>
<u>96C</u>	<u>Section YC 4 amended (Look-through rule for corporate shareholders)</u>	<u>62</u>
<u>96D</u>	<u>Section YC 11 amended (No look-through rule for companies in certain cases)</u>	<u>63</u>
97	Section YD 1 amended (Residence of natural persons)	63
98	New section YD 1B inserted (Non-resident visitors)	63
	YD 1B Non-resident visitors	63
99	Section YD 2 amended (Residence of companies)	65
100	Section YD 3 amended (Country of residence of foreign companies)	65
<u>100B</u>	<u>Section YD 4 amended (Classes of income treated as having New Zealand source)</u>	<u>65</u>
101	Section YD 4B amended (Meaning of permanent establishment)	65
102	Schedule 5 amended (Fringe benefit values for motor vehicles)	66
<u>102B</u>	<u>Schedule 5 amended (Fringe benefit values for motor vehicles)</u>	<u>67</u>
103	Schedule 28 amended (Requirements for complying fund rules)	67
104	Schedule 32 amended (Recipients of charitable or other public benefit gifts)	67
105	Schedule 35 amended (Public purpose Crown-controlled companies)	68
106	Consequential amendments to Income Tax Act 2007 related to repeal of sections in subpart RM	69

Part 3

Amendments to Goods and Services Tax Act 1985

107	Amendments to Goods and Services Tax Act 1985	69
108	Section 2 amended (Interpretation)	69
109	Section 2A amended (Meaning of associated persons)	70
110	Section 3 amended (Meaning of term financial services)	71
111	Section 5 amended (Meaning of term supply)	71
112	Section 6 amended (Meaning of term taxable activity)	72
113	Section 10 amended (Value of supply of goods and services)	72
114	Section 11 amended (Zero-rating of goods)	72
115	Section 11A amended (Zero-rating of services)	73

**Taxation (Annual Rates for 2025–26, Compliance
Simplification, and Remedial Measures) Bill**

116	Section 12 amended (Imposition of goods and services tax on imports)	73
117	Section 15D amended (When changes in basis of taxable periods take effect)	73
118	Section 19E amended (Definitions of types of record)	73
<u>118B</u>	<u>Section 19K amended (Taxable supply information: supplies by registered person)</u>	<u>73</u>
119	Section 19N amended (Supply correction information)	73
120	Section 20 amended (Calculation of tax payable)	74
121	Section 20F amended (Election that sections 11A(1)(q) and (r) and 20C apply)	74
122	Section 21B amended (Adjustments when person or partnership becomes registered after acquiring goods and services)	74
123	Section 21F amended (Treatment on disposal)	74
124	Section 51 amended (Persons making supplies in course of taxable activity to be registered)	75
125	Section 51B amended (Persons treated as registered)	75
126	Section 55B amended (Supplier group and issuing member)	75
127	Section 57 amended (Unincorporated bodies)	75
128	New section 57B inserted (Flow-through joint venture by election ventures)	75
	57B Flow-through joint venture by election ventures	76
<u>128B</u>	<u>Section 60 amended (Agents and auctioneers)</u>	<u>77</u>
129	Section 75 amended (Keeping of records)	77
130	New section 78FB inserted (Liability for supplies between members of flow-through joint ventures)	77
	78FB Liability for supplies between members of flow-through joint ventures	77
131	Section 90 amended (Transitional regulation-making power: legislative charges)	78
132	Section 91 amended (Certain private goods removed from tax base before 1 April 2025)	78
133	New sections 92 to 93B, 93, and 94 inserted	78
	92 Unincorporated bodies electing to become flow-through joint ventures	78
	93 Joint ventures applying flow-through treatment before 1 April 2026	79
	<u>93B</u> <u>Transitional rule to become flow-through joint venture before 1 April 2027</u>	<u>79</u>
	94 Transitional rule for elective flow-through joint ventures	80
134	Consequential amendments to Goods and Services Tax Act 1985 to clarify Commissioner’s requirement to publish	80

**Taxation (Annual Rates for 2025–26, Compliance
Simplification, and Remedial Measures) Bill**

Part 4

Amendments to Tax Administration Act 1994

135	Amendments to Tax Administration Act 1994	80
136	Section 3 amended (Interpretation)	80
137	Section 14 amended (Modes of communication: general provisions)	81
138	New cross-heading and section 14H inserted	81
<i>Publishing</i>		
	14H Publishing	81
139	Section 17C amended (Commissioner’s powers in relation to documents)	81
140	Section 17E amended (Information or documents treated as in persons’ knowledge, possession or control)	81
141	Section 17GB repealed (Commissioner may require information or production of documents for tax policy development)	81
142	Section 17H amended (Court may make order for provision of information)	82
143	New section 18HB inserted (Regular disclosure to government agency)	82
	18HB Regular disclosure to government agency	82
144	Section 20 amended (Privilege for confidential communications between legal practitioners and their clients)	84
145	Section 20B amended (No requirement to disclose tax advice document)	84
146	Section 20D amended (Claim that document is tax advice document)	84
147	Section 20F amended (Person must disclose tax contextual information from tax advice document)	84
148	Section 22C amended (Outline of subpart)	84
149	Section 32M amended (Persons with approved issuer status)	84
150	Section 41A amended (Returns in relation to charitable or other public benefit gifts)	84
151	Section 42 amended (Returns by joint venturers, partners, and partnerships)	85
152	Section 59BA repealed (Annual return for trusts)	85
153	Section 59BAB repealed (Commissioner may require trust information for period after 2013–14 income year)	85
154	Section 68CB amended (Research and development tax credits: general approval)	85
155	Section 75 amended (Notification of amalgamation to Commissioner)	86
156	Section 79 amended (Other annual returns)	86
157	Section 80 amended (Commissioner may require other returns to be made)	86

**Taxation (Annual Rates for 2025–26, Compliance
Simplification, and Remedial Measures) Bill**

158	New section 90B inserted (Determination on interest for employment-related loans)	86
	90B Determination on interest for employment-related loans	86
159	Cross-heading above section 91AAO amended	87
160	New section 91AAP inserted (Determination on deemed rate of return)	87
	91AAP Determination on deemed rate of return	87
161	Section 91EL amended (Applying for short-process ruling)	87
162	Section 120C amended (Definitions)	88
163	Section 120H replaced (Setting and varying interest rates)	88
	120H Setting and varying interest rates	88
164	Section 120OB amended (Variation to definitions for determining interest chargeable or payable to PAYE intermediaries)	88
<u>164B</u>	<u>New section 120PB inserted (Suspended recognition of income on deemed disposal of RAM interest)</u>	<u>88</u>
	<u>120PB Suspended recognition of income on deemed disposal of RAM interest</u>	<u>88</u>
165	Section 138E amended (Certain rights of challenge not conferred)	89
<u>165B</u>	<u>New section 139BB inserted (Imposition of late payment penalty when suspended recognition of income for RAM interest)</u>	<u>89</u>
	<u>139BB Imposition of late payment penalty when suspended recognition of income for RAM interest</u>	<u>89</u>
166	Section 226E amended (Application of changes to CRS standard)	89
167	Section 227H repealed (Transitional provision relating to annual return for trusts)	90
168	New section 227I inserted (Transitional provision relating to interest rates)	90
	227I Transitional provision relating to interest rates	90
169	Schedule 7 amended (Disclosure rules)	90
<u>169B</u>	<u>Schedule 8 amended (Reporting of income information by individuals and treatment of certain amounts)</u>	<u>91</u>
170	Consequential amendments to Tax Administration Act 1994 related to repeal of sections in subpart RM of Income Tax Act 2007	91
171	Consequential amendments to Tax Administration Act 1994 to clarify Commissioner’s requirement to publish	92

Part 5

Amendments to other enactments and revocations

Amendments to KiwiSaver Act 2006

172	Amendments to KiwiSaver Act 2006	92
173	Section 4 amended (Interpretation)	92
174	Section 101A amended (General)	92
175	Schedule 1 amended (KiwiSaver scheme rules)	92

**Taxation (Annual Rates for 2025–26, Compliance
Simplification, and Remedial Measures) Bill**

Amendments to Unclaimed Money Act 1971

176	Amendments to Unclaimed Money Act 1971	92
177	Section 2 amended (Interpretation)	92
178	Section 5B amended (Obligations of holders)	92
179	Section 11 amended (Commissioner may make payment to claimant)	93

Amendments to Student Loan Scheme Act 2011

<u>180A</u>	<u>Amendments to Student Loan Scheme Act 2011</u>	<u>93</u>
180	Schedule 1 amended (Conditions to borrower being treated as physically in New Zealand) Amendment to Student Loan Scheme Act 2011	93
<u>180B</u>	<u>Schedule 3 amended (Adjustments to net income for purposes of section 73, applying from 1 April 2014 for 2014–2015 and later tax years)</u>	<u>93</u>

Amendment to Child Support Act 1991

181	Amendment to Child Support Act 1991	93
-----	-------------------------------------	----

Amendment to Criminal Proceeds (Recovery) Act 2009

182	Amendment to Criminal Proceeds (Recovery) Act 2009	94
-----	--	----

Amendments to Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023

<u>182B</u>	<u>Amendments to Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023</u>	<u>94</u>
<u>182C</u>	<u>Section 2 amended (Commencement)</u>	<u>94</u>
<u>182D</u>	<u>Section 119 amended (Schedule 32 amended (Recipients of charitable or other public benefit gifts))</u>	<u>94</u>

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

183	Amendments to Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act 2025	94
184	Section 2 amended (Commencement)	94
185	Section 196 amended (New cross-heading and section 185U inserted)	95
186	Section 205 amended (Section 3A amended (Meaning of input tax))	95

Amendment to Taxation (Budget Measures) Act 2025

187	Amendment to Taxation (Budget Measures) Act 2025	95
-----	--	----

Amendment to Māori Fisheries Amendment Act 2024

<u>187B</u>	<u>Amendment to Māori Fisheries Amendment Act 2024</u>	<u>95</u>
-------------	--	-----------

<i>Amendments to Tax Administration (Financial Statements— Domestic Trusts) Order 2022</i>		
188	Amendments to Tax Administration (Financial Statements— Domestic Trusts) Order 2022	96
189	Clause 3 amended (Interpretation)	96
190	Clause 4 amended (Application)	97
191	Clause 5 amended (Minimum requirements for preparing financial statements)	97
<u><i>Amendment to Tax Administration (Correction of Errors in Employment Income Information) Regulations 2019</i></u>		
<u>191B</u>	<u>Amendment to Tax Administration (Correction of Errors in Employment Income Information) Regulations 2019</u>	<u>97</u>
<i>Revocations</i>		
192	Revocations	97
Schedule 1		
Consequential amendments related to repeal of sections in subpart RM of Income Tax Act 2007		
Schedule 2		
Consequential amendments to clarify Commissioner’s requirements to publish		
		101

The Parliament of New Zealand enacts as follows:

- 1 Title**

This Act is the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Act **2025**.
- 2 Commencement** 5
 - (1) This Act comes into force on the day after the date on which it receives the Royal assent, except as provided in this section.
 - (2) **Sections 7, 21C, 25, 27, 28, 29, 30, 31, 32(1) and (3), 70, 92B, 104(1B) and (1C), ~~and 149(4)~~ 149(1), and 191B(2)** come into force on 1 April 2008. 10
 - (3) **Section 73** comes into force on 1 January 2009.
 - (4) **Sections 74 and ~~95(24)~~ 95(14B)(a), (24)(a), (27B)(a), and (27C)** come into force on 1 April 2010.
 - (4B) **Section 104(1D)** comes into force on 21 June 2010.
 - (5) **Section 149(2) and (3)** comes into force on 1 August 2010. 15
 - (6) **Sections 108(6) and (13) and 112(1) and (3)** come into force on 1 April 2011.

- (6B) **Section 104(1E)** comes into force on 13 August 2013.
- (7) **Sections 26 and 32(2) and (4)** come into force on 1 April 2017.
- (7B) **Section 104(1F)** comes into force on 18 April 2017.
- (8) **Sections 50(1)(a) and 54** come into force on 1 July 2018.
- ~~(9) **Section 151** comes into force on 1 April 2019.~~ 5
- (9B) **Section 74B** comes into force on 1 April 2020.
- (9C) **Section 169B(2) and (3)** comes into force on 1 April 2021.
- (10) **Section 186** comes into force on 30 March 2022.
- (11) **Section 86(1B), (2B), (3), (4), (5B), and (6)** comes into force on 1 April 2022. 10
- (12) **Section 104(2) and (3)** comes into force on 7 December 2022.
- (13) **Sections ~~408~~111(2), 126, and 132(1)** come into force on 1 April 2023.
- (13B) **Section 84B** comes into force on 1 April 2024.
- (14) **Sections 69 and 93** come into force on 1 July 2024.
- (14B) **Section 169B(1)** comes into force on 31 July 2024. 15
- (14C) **Sections 95(5B), (14B)(b), and (27B)(b) and (c), 96C, and 96D** come into force on 26 August 2024.
- (15) **Section 105** comes into force on 21 February 2025.
- (16) **Section 104(4)** comes into force on 5 March 2025.
- (17) **Sections 75D, 75E, 75F, 75G, 75H, 75I, 92C, 95(15B) and (24B), 96B, 114(1A), 115, and 131** come into force on 30 March 2025. 20
- (18) **Sections 6, 8(2), 12(2), 13, 24, 36, 37(2), 38, 44(1) and (2), 44B, 45(1A), (1), (1B), (2), (2C), (2D), (2E), and (2F), 45B, 45C, 46, 49, 50(1)(b), (2), and (3), 51, ~~52~~, 56, 57, ~~58~~, 59, 60, 61, 62, ~~63~~, 64(2), (4), and (5), 65, 66, 67B, 71, 76, 78, 79, 89, 92, 95(4), (8B), (9), (10), (19), (20), (21), (22), and (23), ~~and 104(5), 121, 164B, and 165B~~** come into force on 1 April 2025. 25
- (19) **Sections 8(1) and (3), 20, 21, 23, 85, 86(1A) and (1AB), 87, 88(1), and 95(3) and (12)** come into force on 16 April 2025.
- (20) **Sections 55B, 32B, 33, 34, 34B, 34C, 34D, 35, 42, 43, and 95(26)** come into force on 22 May 2025. 30
- (20B) **Section 75C** comes into force on 1 July 2025.
- (20C) **Section 104(5B)** comes into force on 16 July 2025.
- (20D) **Section 104(5C)** comes into force on 30 July 2025.
- (21) **Section 150(3)** comes into force on ~~26 August 2025~~ the date of introduction of the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill. 35

- (21B) **Sections 16(2) and 95(24C)** come into force on 12 January 2026.
- (22) **Sections 185 and 187(2)** come into force on 31 March 2026.
- (23) **Sections 9, 10, 11, 12(1) and (3), 13B, 13C, 14, 15, 19, 21B, 22, 37(1) and (3), 39, 40, 41, 44(1B), (1C), and (3), 45(2B) and (4), 47, 48, 53, 64(1) and (3), 75B, 75C, 84, 88(2), 90, 91, 95(2), (5), (6), (7), (8), (11), (14), (15), (17), ~~(25)(24)(b), (25B), (27), and (28)~~, 97, 98, 99, 100, 100B, 101, ~~402, 102B, 103(1), 104(7), 108(2), ~~(3)~~~~, (4), (5), (7), (8), ~~(9)~~, (10), and (12), 109, 110, 111~~(4)~~, ~~(3)~~, (4), (5), and (6), 112(2), 113(2), 114, 116, 119, 120, 123, 124, 125, ~~427~~, 128, 128B, 129, 130, 133, 136(2), (3), (4), (7), and (8), 143, 152, 153, 154, 156, 157, 165, 167, 169(1), (2), and (3), 177, 178, 179, 180B, 182(2), 189, 190, and 191** come into force on 1 April 2026.
- (23B) **Section 169(1B) and (1C)** comes into force on 1 July 2026.
- (24) **Section 103(2)** comes into force on 1 April 2028.

Part 1

Annual rates of income tax

- 3 **Annual rates of income tax for 2025–26 tax year**
- Income tax imposed by section BB 1 (Imposition of income tax) of the Income Tax Act 2007 must, for the 2025–26 tax year, be paid at the basic rates specified in schedule 1 of that Act.

Part 2

Amendments to Income Tax Act 2007

- 4 **Amendments to Income Tax Act 2007**
- This Part amends the Income Tax Act 2007.
- 5 **~~Section CC 15 amended (New investment assets: change of use)~~**
- ~~In section CC 15, in the example, replace “Investment Boost” with “new investment asset”.~~
- 5B **Section CC 15 replaced (New investment assets: change of use)**
- Replace section CC 15 with:
- CC 15 New investment assets: change of use**
- When this section applies*
- (1) This section applies, for a person and a new investment asset, when—

- (a) the person has deducted an amount (the **deducted DI 5 amount**) for expenditure incurred in acquiring the asset under section DI 5 (New investment asset deduction) for an income year; and
- (b) the person changes their use of the asset in a subsequent income year; and 5
- (c) the change of use means the amount of the deduction the person would have been allowed under section DI 5 if the section were applied as if the income year were the income year in which the change of use occurs is less than the deducted DI 5 amount.
- When this section does not apply: less than 25% change in use* 10
- (2) This section does not apply when the amount calculated using the following formula, expressed as a percentage, is less than 25%:
- $$1 - (\text{new DI 5 deduction} \div \text{existing DI 5 deduction}).$$
- Income*
- (3) The person has an amount of income equal to the amount calculated using the following formula: 15
- $$\text{existing DI 5 deduction} - \text{new DI 5 deduction}.$$
- Items in formulas*
- (4) In the formulas in **subsections (2) and (3)**,—
- (a) **new DI 5 deduction** is the amount the person would have been allowed as a deduction under section DI 5 if the section were applied as if the income year referred to in the section were the income year in which the change of use occurs: 20
- (b) **existing DI 5 deduction** is,—
- (i) if **subparagraph (ii)** does not apply, the deducted DI 5 amount: 25
- (ii) if this section has previously been applied to the asset, the amount that was the new DI 5 deduction amount in the formula on the preceding application of this section.
- Relationship with subject matter*
- (5) For an asset that is depreciable property, the amount of income under **subsection (3)** increases the asset's adjusted tax value for the purposes of section EE 48(1)(a) (Effect of disposal or event). 30
- Example 1**
- Thomas buys a new yacht for \$100,000 that he begins using in the 2025–26 income year. He determines that the yacht will be used 90% of the time for business use and chooses to claim a new investment asset deduction on this basis. He therefore claims \$18,000 as a new investment asset deduction, which is 90% of the full \$20,000 deduction that was available to him under section DI 5. However, he reduces the cost or adjusted tax value used for determining depreciation of the yacht by \$20,000 in accordance with section DI 6. In the 2026–27 income 35 40

year, he only uses the yacht 40% of the time for business. This is a change of use of 25% or more. Had Thomas taken the new investment asset deduction in the 2026–27 income year, he would only have been entitled to claim \$8,000, being 40% of the full deduction available. Thomas must return income of \$10,000 (\$18,000 – \$8,000) in the 2026–27 income year. The asset’s adjusted tax value is increased by \$10,000 accordingly.

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Example 2

Adam buys a commercial property, comprising land and a commercial building, for \$15 million in the 2025–26 income year. The cost of the building is \$10 million. He claims \$2 million as a new investment asset deduction in that income year, and the cost or adjusted tax value of the building is reduced to \$8 million. In the 2027–28 income year, Adam decides to rent out the top floor of the building as residential accommodation. This constitutes 25% of the floor space of the building. This is a change of use of 25% or more. Had Adam taken the new investment asset deduction in the 2027–28 income year, the building would only have been a new investment asset to the extent of the 75% of the building that was not a dwelling. Therefore, Adam would only have been able to claim a new investment asset deduction of \$1.5 million, being 75% of the full deduction available. Adam must return income of \$500,000 (\$2 million – \$1.5 million) in the 2027–28 income year. The adjusted tax value of the building is increased by \$500,000 accordingly.

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Defined in this Act: adjusted tax value, amount, commercial building, deduction, depreciable property, dwelling, income, income year, land, new investment asset

6 Section CD 36 amended (Foreign investment fund income)

(1) After section CD 36(1)(b)(iv), insert:

(v) the revenue account method; and

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(2) In section CD 36, list of defined terms, insert “revenue account method”.

7 Section CD 44 amended (Available capital distribution amount)

(1) In section CD 44(1), in the formula, replace “capital gains” with “net capital amount” and delete “– capital losses”.

(2) Replace section CD 44(2)(c) with:

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(c) **net capital amount** is the total of the capital gain amounts less the capital loss amounts arising in the 1992–93 tax year or a later tax year that is available for distribution to shareholders in the company on liquidation but excluding any gain or loss occurring when the company distributes property to shareholders on the liquidation:

35

(3) Repeal section CD 44(2)(f).

(4) Replace section CD 44(8) with:

Net capital gain: amalgamated company inheriting net capital gain

(8) An amalgamated company is treated as deriving, at the time of the amalgamation, an amount (the **net amount**) equal to the total of the capital gain

40

	amounts, less capital loss amounts arising in the 1992–93 tax year or a later tax year, of an amalgamating company to the extent to which—	
	(a) the amalgamating company’s net amount was available for distribution at the time of the amalgamation; and	
	(b) was not distributed to any person other than the amalgamated company.	5
	<i>Exception when amalgamated and amalgamating company the same</i>	
(8BA)	Subsection (8) does not apply to an amalgamated company if the amalgamated company is the same company as the amalgamating company.	
(5)	Replace section CD 44(10)(a) with:	
	(a) the total of the capital gain amounts arising after 31 March 1988 that are available for distribution to shareholders in the company on the liquidation, excluding any gain occurring when the company distributes property to a shareholder on the liquidation; and	10
(6)	Subsections (1) to (5) apply for the 2008–09 and later income years.	
8	Section CE 1 amended (Amounts derived in connection with employment)	15
(1)	After section CE 1(2), insert:	
	<i>Meaning of benefit in money</i>	
(2B)	In this section, benefit in money does not include a gift card unless—	
	(a) the employer chooses to treat the provision of a gift card to an employee as an amount derived in connection with their employment; or	20
	(b) the employer provides the gift card to the employee as a substitute for remuneration. <u>the provision of the card has a purpose or effect of defeating the application of the Child Support Act 1991.</u>	
(2)	After section CE 1(3B), insert:	
	<i>Reimbursement of employee expenditure for benefit</i>	25
(3C)	For the treatment of a reimbursement payment made to an employee for incurring expenditure for a benefit, see section CE 1BA .	
(3)	In section CE 1, list of defined terms, insert “benefit in money”, “employment”, and “gift card”.	
9	New section CE 1BA inserted (Reimbursement of employee expenditure for benefit)	30
	After section CE 1, insert:	
	CE 1BA Reimbursement of employee expenditure for benefit	
	<i>When this section applies</i>	
(1)	This section applies when an employer pays an amount to reimburse an employee for expenditure the employee has incurred for a benefit that, if the	35

employer provided it directly to the employee, would constitute an unclassified benefit under section CX 37 (Meaning of unclassified benefit).

Employer election

- (2) The amount paid by the employer is, at the employer’s election, either—
 - (a) employment income of the employee under section CE 1; or 5
 - (b) an unclassified benefit under section CX 37.

Exempt income

- (3) If the employer chooses to treat the amount paid as employment income of the employee, as described in **subsection (2)(a), section CW 17BA** (Reimbursement of expenditure paid as employment income) applies to the payment. 10

Exclusion: payments for certain work-related meals

- (4) **Subsection (2)** does not apply when an employer pays an amount to reimburse an employee for expenditure to which section CW 17CB (Payments for certain work-related meals) applies and the time limit in subsection (5) of that section has elapsed. 15

Defined in this Act: amount, employee, employer, employment income, pay, unclassified benefit

10 Section CE 7B amended (Meaning of share scheme taxing date)

- (1) ~~In section CE 7B(1)(a), after “(beneficial ownership)”, insert “or the beneficiary has an unconditional right to presently receive the shares”.~~
- (2) ~~In section CE 7B(1)(a)(i), after “no material risk that” insert “, once the shares are held by or for the benefit of the employee share scheme beneficiary,”.~~ 20
- (3) After section CE 7B(2), insert:

Meaning for employee deferred shares

- (3) Despite subsections (1) and (2), if the shares are employee deferred shares under **section EA 4B** (Deferred tax for unlisted employee share schemes), the share scheme taxing date is the liquidity event date~~date of the liquidity event~~. 25
- (4) In section CE 7B, list of defined terms, insert “employee deferred shares”, “liquidity event date”, and “share scheme taxing date”.
- (5) **Subsections (3) and (4)** apply to shares issued or transferred by a company under an employee share scheme on or after 1 April 2026. 30

11 Section CF 1 amended (Benefits, pensions, compensation, and government grants)

- (1) In section CF 1(2), in the definition of **pension**, paragraph (a), replace “in return for services that the person” with “or a trustee of their estate if that person” and replace “provided to” with “provided services to”. 35
- (2) In section CF 1(2), in the definition of **pension**, replace paragraph (b) with:
 - (b) does not include a payment made to—

<ul style="list-style-type: none"> (i) the person because of, and within 1 year after, the death of that parent, child, spouse, civil union partner or de facto partner, former spouse, civil union partner or de facto partner, or dependant: (ii) a trustee of the person’s estate because of, and within 1 year after, the person’s death. 	5
12 Section CQ 5 amended (When FIF income arises)	
(1) After section CQ 5(1)(c)(xiv), insert:	
(xivb) the exemption for share users in returning share transfers in section EX 43B (Exemption for share users in returning share transfers):	10
(2) In section CQ 5(1)(g), replace “EX 56” with “ EX 56B ”.	
(3) In section CQ 5, list of defined terms, insert “returning share transfer” and “share user”.	
13 Section CV 19 amended (Additional income for certain imputation credits)	
(1) After section CV 19(2)(b), insert:	15
(c) the revenue account method.	
(2) In section CV 19, list of defined terms, insert “revenue account method”.	
<u>13B Section CW 17 amended (Expenditure on account, and reimbursement of, employees)</u>	
<u>In section CW 17(5), after “CW 16F,”, insert “CW 17BA,”.</u>	20
<u>13C New section CW 17BA inserted (Reimbursement of expenditure paid as employment income)</u>	
<u>After section CW 17, insert:</u>	
<u>CW 17BA Reimbursement of expenditure paid as employment income</u>	
<i>When this section applies</i>	25
(1) <u>This section applies when an employer chooses to treat an amount paid to an employee under section CE 1BA (Reimbursement of employee expenditure for benefit) as employment income.</u>	
<i>Exempt income</i>	
(2) <u>An amount paid as employment income under section CE 1BA(2)(a) is exempt income of the employee to the extent to which the payment would not have exceeded the threshold limits in section RD 45 (Unclassified benefits and gift cards) had the payment been treated as an unclassified benefit under section CX 37 (Meaning of unclassified benefit).</u>	30
<u>Defined in this Act: amount, employee, employer, employment income, exempt income, unclassified benefit</u>	35

14 Section CW 19 amended (Amounts derived during short-term visits)

In section CW 19(3), after “section”, insert “and **sections CW 22B and CW 22C**”.

15 New sections CW 22B to CW 22D and CW 22C inserted

After section CW 22, insert:

5

CW 22B Amounts derived by non-resident visitors during visits

Exempt income

(1) Income a non-resident visitor derives from performing personal or professional services in New Zealand during a visit is exempt income if—

(a) the services are performed for or on behalf of a person who is not resident in New Zealand; and

10

(b) the amount derived from the personal or professional services is liable to tax chargeable in the country or territory outside New Zealand in which the non-resident visitor is resident or liable to tax on the basis of citizenship with a tax that is substantially the same as income tax imposed under this Act.

15

Exclusion

(2) This section does not apply to the income of a public entertainer.

Defined in this Act: amount, exempt income, income, ~~income tax~~, New Zealand, non-resident, non-resident visitor, public entertainer, resident in New Zealand, tax

20

CW 22C Amounts derived by non-residents from non-resident visitors in New Zealand

Exempt income

(1) An amount of income derived by a non-resident person that has a source in New Zealand under section YD 4(2) or (3) (Classes of income treated as having New Zealand source) is exempt income if—

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(a) the income has a source in New Zealand only because a person who is a non-resident visitor is physically present in New Zealand; and

(b) the amount derived is liable to tax chargeable in the country or territory outside New Zealand in which the non-resident person is resident or liable to tax on the basis of citizenship with a tax that is substantially the same as income tax imposed under this Act.

30

Exclusion

(2) This section does not apply to the income of a public entertainer.

Defined in this Act: amount, exempt income, income, ~~income tax~~, New Zealand, non-resident, non-resident visitor, public entertainer, tax

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CW 22D Treatment of non-resident visitors for sections CW 22B and CW 22C

When this section applies

(1) This section applies to an amount of income derived by a non-resident visitor from performing personal or professional services in New Zealand or an amount of income derived by a non-resident person that has a source in New Zealand under section YD 4(2) or (3) (Classes of income treated as having New Zealand source) if—

(a) the amount is not liable to tax in a country or territory outside New Zealand in accordance with **section CW 22B(1)(b) or CW 22C(1)(b)**, as applicable, because the non-resident visitor has ceased to be either resident in that country or territory or liable to tax on the basis of citizenship; and

(b) **section YD 1B(3B)** (Non-resident visitors) applies to the non-resident visitor; and

(c) the laws of the country or territory outside New Zealand referred to in **section YD 1B(3B)** treat the person's cessation of residency or liability to tax as having occurred on an earlier date (the **effective date**) than the date the person stops being a non-resident visitor under that section (the **cessation date**); and

(d) the amount is derived in the period starting on the effective date and ending on the cessation date.

Amount treated as liable to tax in foreign country or territory

(2) For the purposes of **section CW 22B(1)(b) or CW 22C(1)(b)**, as applicable, the amount derived is treated as being liable to tax in the country or territory outside New Zealand.

Defined in this Act: amount, income, New Zealand, non-resident, non-resident visitor, tax

16 Section CW 38 amended (Public authorities)

(1) Repeal section CW 38(3).

(2) After section CW 38(5)(e), insert:

(f) New Zealand Institute of Advanced Technology.

17 Section CW 38B amended (Public purpose Crown-controlled companies)

Repeal section CW 38B(3).

18 Section CW 39 amended (Local authorities)

Repeal section CW 39(3).

19 New section CW 61B inserted (Income from supply of excess electricity from dwelling)

(1) After section CW 61, insert:

CW 61B Income from supply of excess electricity from dwelling

Exempt income

- (1) An amount derived by a natural person from the supply of excess electricity generated at a dwelling occupied as a residence by the person is exempt income. 5

Meaning of excess electricity

- (2) For the purposes of this section, **excess electricity** means electricity generated at a dwelling that is not consumed at the dwelling and is supplied to an electricity retailer.

Defined in this Act: amount, dwelling, excess electricity, exempt income, natural person 10

- (2) **Subsection (1)** applies for the 2026–27 and later income years.

20 Section CX 2 amended (Meaning of fringe benefit)

In section CX 2(1)(b)(i), replace “CX 16” with “**CX 16B**”.

21 New section CX 16B inserted (Gift cards)

After section CX 16, insert: 15

CX 16B Gift cards

When fringe benefit arises

- (1) A fringe benefit arises when an employer provides a gift card to an employee, unless the employer chooses to treat it as an amount derived in connection with the employee’s employment under section CE 1 (Amounts derived in connection with employment). 20

~~*Gift card as substitute for remuneration*~~ *When value of benefit is employment income*

- (2) Despite **subsection (1)**, if the provision of the card has a purpose or effect of defeating the application of the Child Support Act 1991 ~~employer provides a gift card to the employee as a substitute for remuneration~~, the value of the benefit is an amount derived in connection with the employee’s employment under section CE 1. 25

Defined in this Act: amount, employee, employer, employment, fringe benefit, gift card

21B Section CX 17 amended (Benefits provided to employees who are shareholders or investors) 30

Replace section CX 17(4)(b) with:

- (b) in the absence of section CX 4, be, or be treated as, unclassified benefits under **section RD 45** (Unclassified benefits and gift cards) if provided to a person in their capacity as an employee. 35

21C Section CX 24 amended (Benefits related to health or safety)

- (1) Replace section CX 24(c) with:

- (c) either—
- (i) would be excluded by section CX 23 from being a fringe benefit if provided on the employer’s premises; or
- (ii) is personal protective equipment, including clothing, that is used or worn by a person to minimise risks to the person’s health and safety. 5
- (2) **Subsection (1)** applies for income years commencing on or after 1 April 2008.
- 22 Section CX 26 amended (Non-liable payments)**
- (1) After section CX 26(2), insert: 10
- Benefits provided to non-resident visitors*
- (3) A benefit received by an employee who is a non-resident visitor is not a fringe benefit.
- (2) In section CX 26, list of defined terms, insert “non-resident visitor” and replace “resident” with “resident in New Zealand”. 15
- 23 Section CX 37 amended (Meaning of unclassified benefit)**
- In section CX 37(a), replace “CX 16” with “**CX 16B**”.
- 24 Section CX 57B amended (Amounts derived during periods covered by calculation methods)**
- In section CX 57B(1), replace “and cost method” with “cost method, and revenue account method”. 20
- 25 Section DE 1 amended (What this subpart does)**
- (1) In section DE 1(1), replace “business purposes and partly for other purposes” with “business use and partly for other uses”.
- (2) **Subsection (1)** applies for the 2008–09 and later income years. 25
- 26 Section DE 2B amended (Election to use kilometre rate method or costs method)**
- (1) In section DE 2B(1)(c), replace “business purposes” with “business use”.
- (2) **Subsection (1)** applies for the 2017–18 and later income years.
- 27 Section DE 5 amended (Actual records)** 30
- (1) In section DE 5, replace “a motor vehicle for business purposes” with “the motor vehicle for business use”.
- (2) **Subsection (1)** applies for the 2008–09 and later income years.
- 28 Section DE 7 amended (Logbook requirements)**
- (1) In section DE 7(1), replace “business purposes” with “business use”. 35

- (2) **Subsection (1)** applies for the 2008–09 and later income years.
- 29 Section DE 9 amended (Inadequate logbook)**
- (1) In section DE 9(1), after “proportion of business use”, insert “of a motor vehicle”.
- (2) In section DE 9(1), replace “use of a motor vehicle for business purposes” with “business use of the motor vehicle”. 5
- (3) In section DE 9(2)(a), replace “use of the motor vehicle for business purposes” with “business use of the motor vehicle”.
- (4) **Subsections (1), (2), and (3)** apply for the 2008–09 and later income years.
- 30 Section DE 10 amended (Variance during logbook term)** 10
- (1) In section DE 10, replace “average use of the motor vehicle for business purposes” with “average business use of the motor vehicle”.
- (2) **Subsection (1)** applies for the 2008–09 and later income years.
- 31 Section DE 11 amended (Replacement vehicles)**
- (1) In section DE 11(a), replace “business purposes” with “business use”. 15
- (2) **Subsection (1)** applies for the 2008–09 and later income years.
- 32 Section DE 12 amended (Kilometre rate method)**
- (1) In section DE 12(2), replace “business purposes” with “business use”.
- (2) In section DE 12(3)(b), replace “business purposes and other purposes” with “business use and other uses”. 20
- (3) **Subsection (1)** applies for the 2008–09 and later income years.
- (4) **Subsection (2)** applies for the 2017–18 and later income years.
- 32B Section DI 1 amended (New investment assets)**
- After section DI 1(2)(c), insert:
- (cb) section DI 4B provides for the treatment of certain items as assets:** 25
- 33 Section DI 2 amended (When this subpart applies and does not apply)**
- (1) Replace section DI 2(1), other than the heading, with:
- (1) This subpart applies for a person and a new investment asset acquired by them if, subject to **subsection (1B)**, the following conditions are met:
- (a) if the asset is depreciable property, it first becomes available for use in New Zealand by the person on or after 22 May 2025; and 30
- (b) if the asset is not depreciable property, the person incurs expenditure in relation to it on or after 22 May 2025; and
- (c) the asset has never previously been used or available for use in New Zealand by any person for any purpose; and 35

(d)	the person has chosen to apply this subpart to the asset in a return of income for the income year.	
	<i>Asset not used or available for use</i>	
(1B)	For the purposes of subsection (1) , an asset is not considered to have been used or available for use if the asset has only been—	5
(a)	held <u>only</u> as trading stock; or;	
(b)	used <u>only</u> in a manner necessary to prepare the asset for sale or exchange.	
(2)	In section DI 2(2), replace “an asset” with “a new investment asset”.	
(3)	<u>In section DI 2, list of defined terms, insert “new investment asset”.</u>	10
34	Section DI 3 replaced (Meaning of new asset transferee)	
	Replace section DI 3 with:	
DI 3	Meaning of new asset transferee	
	New asset transferee means a person who—	
(a)	acquires an asset by way of transfer from another person (person A) who has previously chosen to apply this subpart and been allowed a deduction under section DI 5 for the asset; and	15
(b)	is treated as having been allowed the pre-transfer deductions that person A is allowed for amounts of depreciation loss under another provision of this Act, including—	20
(i)	section FB 21 (Depreciable property):	
(ii)	section FM 15(7) (Amortising property and revenue account property):	
(iii)	section FO 16(4) (Amortising property).	
	<u>Defined in this Act: amount, deduction, depreciation loss</u>	25
34B	<u>Section DI 4 amended (Meaning of new investment asset)</u>	
(1)	<u>Replace section DI 4(a)(viii) with:</u>	
	<u>(viii) an alteration, extension, or repair of an asset of the type in any of subparagraphs (i) to (vii) that increases its capital value:</u>	
(2)	<u>In section DI 4, list of defined terms, insert “acquire” and delete “improvement”.</u>	30
34C	<u>New section DI 4B inserted (Treatment of certain items as assets)</u>	
	<u>After section DI 4, insert:</u>	
DI 4B	<u>Treatment of certain items as assets</u>	
	<u>For the purposes of this subpart,—</u>	35

- (a) an improvement for which a person is allowed a deduction under section DO 4, DO 12, or DP 3 (which relate to improvements to farm land, aquacultural business, or forestry land) is treated as an asset the person acquires and owns:
- (b) all petroleum development expenditure incurred by a person is treated as giving rise to an asset acquired and owned by the person: 5
- (c) all mining development expenditure incurred by a person is treated as giving rise to an asset acquired and owned by the person:
- (d) an alteration, extension, or repair of an asset of the type in any of section DI 4(a)(i) to (vii) by a person is treated as an asset the person acquires and owns that is separate from the asset it alters, extends, or repairs. 10

Defined in this Act: deduction, mining development expenditure, petroleum development expenditure

34D Section DI 5 amended (New investment asset deduction)

In section DI 5(1), replace “equal to the amount calculated by” with “for the amount calculated using”. 15

35 Section DI 6 amended (Relationship to cost, calculations, etc, in other provisions)

(1A) Before section DI 6(1), insert the heading:

Other amounts reduced by amount of section DI 5 deduction 20

(1AB) In section DI 6(1), after “section DI 5 for”, insert “expenditure incurred in acquiring”.

(1AC) In section DI 6, insert as subsection (2):

Available amount of section DI 5 deduction

(2) For the purposes of subsection (1), if the amount of person A’s deduction is less than the amount (the **available deduction amount**) they would have been allowed if they had used the asset wholly in deriving assessable income or carrying on a business for the purpose of deriving assessable income, the applicable amount referred to in subsection (1) is reduced by the available deduction amount for the purposes of quantifying the amount of depreciation loss under subpart EE or the amount of a deduction under subpart DO, DP, DT, or DU, as applicable. 25
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(1) In section DI 6, replace the Examples with:

Example 1

ABC company purchases a new investment asset (**Asset A**) for \$10,000 on 1 October 2025. Asset A is depreciable property and has a DV rate of 10%. Asset A is used for 6 months in the income year ending 31 March 2026. In the 2025–26 income year, ABC company is allowed the following deduction for the new investment asset under section DI 5: 35

$$0.2 \times \$10,000 = \$2,000. \quad 40$$

Section DI 6(1)(a) ensures that the cost base for the asset for depreciation purposes is reduced by the amount of the deduction under section DI 5, that is, \$10,000 – \$2,000 = \$8,000. Depreciation for the asset is then calculated for the 2025–26 income year as follows:

$$10\% \times 6/12 \times \$8,000 = \$400.$$

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The total deduction for Asset A in the 2025–26 income year is \$2,400. The adjusted tax value of the asset for the 2026–27 income year will be \$7,600 (\$8,000 – \$400).

Example 2

ABC Company is in a consolidated group with DEF Company. At the end of the 2025–26 income year, ABC Company transfers Asset A to DEF Company. Section FM 15(7) applies to treat DEF Company as if it has claimed the \$400 depreciation loss already claimed by ABC Company. Section DI 6 operates to transfer the \$2,000 new investment asset deduction claimed by ABC Company to DEF Company for the purposes of the item **new investment asset amount** in section EE 48(1B) and (1C) and also operates to ensure the opening value of Asset A for DEF Company for depreciation purposes is \$7,600. This means that if DEF Company were to dispose of Asset A at a later date for more than this amount, DEF Company would have depreciation recovery income.

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(2) In section DI 6, list of defined terms, insert “assessable income”, “consolidated group”, “depreciation recovery income”, “dispose”, and “income year”.

36 Section DN 5 amended (Foreign investment fund loss)

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(1) After section DN 5(2), insert:

Ring-fencing rule for loss calculated under revenue account method

(2B) The deduction for a FIF loss calculated under the revenue account method is subject to the ring-fencing rule in **section DN 8B**.

(2) In section DN 5, list of defined terms, insert “revenue account method”.

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37 Section DN 6 amended (When FIF loss arises)

(1) After section DN 6(1)(c)(xiv), insert:

(xivb) the exemption for share users in returning share transfers in **section EX 43B** (Exemption for share users in returning share transfers):

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(2) In section DN 6(1)(g), replace “EX 56” with “**EX 56B**”.

(3) In section DN 6, list of defined terms, insert “returning share transfer” and “share user”.

38 New section DN 8B inserted (Ring-fencing cap on deduction: revenue account method)

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After section DN 8, insert:

DN 8B Ring-fencing cap on deduction: revenue account method

When this section applies

- (1) This section applies when a person has an amount of FIF loss under **section EX 56B(3)(b)** (Revenue account method) for an income year.

Amount of deduction

- (2) The amount of deduction the person is allowed in the income year for the FIF loss is limited to the amount of FIF income of the person under **section EX 56B(3)(a)** in the income year.

*Relationship with **section EX 59B***

- (3) Any excess FIF loss not able to be deducted because of **subsection (2)** is a RAM net loss able to be carried forward and used under **section EX 59B** (Ring-fencing RAM net losses).

Defined in this Act: amount, deduction, FIF income, FIF loss, income year, RAM net loss, revenue account method

39 Section DV 27 amended (Employee share schemes)

- (1) In section DV 27(6), after “or loss”, insert “, arising on the share scheme taxing date,”.

- (2) In section DV 27, list of defined terms, insert “share scheme taxing date”.

- (3) **Subsections (1) and (2) apply to shares issued or transferred by a person under an employee share scheme on or after 1 April 2026. Subsections (1) and (2) do not apply to a person in respect of an employee share scheme that is part of a merger or acquisition transaction for which the person entered into a binding contract before the date on which the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Act 2025 receives the Royal assent.**

40 New section EA 4B inserted (Deferred tax for unlisted employee share schemes)

- (1) After section EA 4, insert:

EA 4B Deferred tax for unlisted employee share schemes

When this section applies

- (1) This section applies to shares issued or transferred under an employee share scheme by a company that is not—

(a) a listed company:

(b) a member of a group of companies where at least 1 member is a listed company.

Designation

- (2) The employer may, at the time the shares are issued or transferred, designate the shares issued or transferred to an employee share scheme beneficiary as

employee deferred shares. If the employer makes that designation, the employer must notify both the Commissioner and the employee share scheme beneficiary of that designation within 20 days after the date of issue or transfer, or by a later date allowed by the Commissioner.

Consequences of deferral

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- (3) If the employer chooses to designate shares as employee deferred shares under **subsection (2)**, the share scheme taxing date for those shares is deferred to the ~~date of the liquidity event~~ liquidity event date in accordance with **section CE 7B(3)** (Meaning of share scheme taxing date).

Meaning of liquidity event date

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- (4) ~~Liquidity event~~ means the earliest of the following dates:

- (a) ~~if a dividend is declared by the company in relation to the shares, the date before the day on which the shares, if traded, would not carry the right to receive that dividend; and~~
- (b) ~~the date on which the company that issued or transferred the shares under the employee share scheme referred to in **subsection (1)** becomes a listed company; and~~
- (c) ~~the date the employee share scheme beneficiary sells or transfers the shares to a person who is not associated with a beneficiary described in section CE 7(a)(i) or (ii) (Meaning of employee share scheme); and~~
- (d) ~~the date the shares are cancelled, including by the company ceasing to exist.~~

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- (4B) **Liquidity event date.**—

- (a) subject to **paragraph (b)**, means the earliest of the following dates:
 - (i) the date on which the company that issued or transferred the shares under the employee share scheme referred to in **subsection (1)** becomes a listed company; and
 - (ii) the date the employee share scheme beneficiary sells or transfers the shares to a person who is not associated with a beneficiary described in section CE 7(a)(i) or (ii) (Meaning of employee share scheme); and
 - (iii) the date the shares are cancelled, including by the company ceasing to exist;
- (b) if the date determined under **paragraph (a)** occurs while the shares are subject to a restriction that prevents their disposal, means the date on which the restriction ends;
- (c) does not include a date referred to in **paragraph (a) or (b)** if the shares are sold or otherwise exchanged only for shares in a company that would

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	<u>satisfy subsection (1) if it had issued the shares under an employee share scheme.</u>	
	Defined in this Act: company, deduction, dividend, employee deferred shares, employee share scheme, employee share scheme beneficiary, employer, group of companies, liquidity event <u>date</u> , listed company, share, share scheme taxing date	5
(2)	Subsection (1) applies to shares issued or transferred by a company under an employee share scheme on or after 1 April 2026.	
41	Section EA 5 amended (Income from disposal of original shares under share-lending arrangements)	
(1)	In the heading to section EA 5, replace “ share-lending arrangements ” with “ returning share transfers ”.	10
(2)	In section EA 5(1)(a) and (b), replace “share-lending arrangement” with “returning share transfer”.	
(2B)	<u>In section EA 5(1)(c), replace “in the following income year (the later income year)” with “in a later income year”.</u>	15
(3)	In section EA 5, list of defined terms, delete “share-lending arrangement” and insert “returning share transfer”.	
(4)	Subsections (1), (2), (2B), and (3) apply to a returning share transfer entered into on or after 1 April 2026.	
42	Section EE 38 amended (Items of low value)	20
	After section EE 38(1), insert:	
	<i>Cost not reduced by section DI 6</i>	
(1B)	For the purposes of subsection (1)(a), section DI 6 (Relationship to cost, calculations, etc, in other provisions) does not apply to reduce the cost of the item.	
43	Section EE 40 amended (Transfer of depreciable property on or after 24 September 1997)	25
	In section EE 40(7)(b)(ii), after “person.”, insert “For the avoidance of doubt, section DI 6 (Relationship to cost, calculations, etc, in other provisions) does not apply to reduce the cost of the item.”	
44	Section EW 5 amended (What is an excepted financial arrangement?)	30
(1)	In section EW 5(25), replace “50,000” with “100,000”.	
(1B)	<u>Replace section EW 5(25), other than the heading, with:</u>	
(25)	<u>A variable principal debt instrument is an excepted financial arrangement if the total value on every day in an income year for all variable principal debt instruments to which a person is a party is \$100,000 or less, except when the person who is a party to the financial arrangement—</u>	35
	<u>(a) makes an election under section EW 8; or</u>	
	<u>(b) is a company.</u>	

- (1C) In section EW 5, list of defined terms, insert “company”.
- (2) **Subsection (1)** applies for the ~~2026–27~~2025–26 and later income years.
- (3) **Subsections (1B) and (1C)** apply for the 2026–27 and later income years.

44B Section EW 54 amended (Meaning of cash basis person)

- (1) Replace section EW 54(1), other than the heading, with: 5
- (1) A person is a **cash basis person** for an income year if 1 or both of the following applies in the person’s case for the income year:
 - (a) section EW 57(1):
 - (b) section EW 57(2).
- (2) **Subsection (1)** applies for the 2025–26 and later income years. 10

45 Section EW 57 amended (Thresholds)

- (1A) In section EW 57(1), replace “EW 54(1)(a)(i)” with “**EW 54(1)(a)**”.
- (1) In section EW 57(1), replace “100,000” with “200,000”.
- (1B) In section EW 57(2), replace “EW 54(1)(a)(ii)” with “**EW 54(1)(b)**”.
- (2) In section EW 57(2), replace “1,000,000” with “2,000,000”. 15
- (2B) After section EW 57(2)(c), insert:
 - (d) for a financial arrangement denominated in a foreign currency, the value calculated by converting the value of the arrangement into New Zealand dollars at the exchange rate applying on the date the person first became a party to the arrangement and,— 20
 - (i) if the principal amount of the arrangement increases, the value of the arrangement is calculated by converting the amount of the increase into New Zealand dollars at the exchange rate applying on the date of the change and adding it to the original New Zealand dollar value of the arrangement: 25
 - (ii) if the principal amount of the arrangement decreases, the value of the arrangement is calculated by converting the amount of the reduction into New Zealand dollars at the exchange rate applying on the date the person first became a party to the arrangement and subtracting it from the original New Zealand dollar value. 30
- (2C) Repeal section EW 57(3) to (9).
- (2D) In section EW 57(10), replace “any of subsections (1) to (3)” with “this section”.
- (2E) In section EW 57, list of defined terms, delete “cash basis person”, “Commissioner”, and “spreading method”. 35
- (2F) **Subsections (1A), (1), (1B), (2), (2C), (2D), and (2E)** apply for the 2025–26 and later income years.

- (3) ~~In section EW 57(3), replace “40,000” with “100,000”.~~
- (4) ~~Subsections (1), (2), and (3) apply~~ **Subsection (2B)** applies for the 2026–27 and later income years.

45B Section EW 58 amended (Financial arrangements, income, and expenditure relevant to criteria) 5

- (1) In section EW 58(1), replace “EW 57(1) to (3)” with “EW 57(1) and (2)”.
- (2) In section EW 58(4), replace “EW 57(1) to (3)” with “EW 57(1) and (2)”.
- (3) In section EW 58(5), replace “EW 57(1) to (3)” with “EW 57(1) and (2)”.
- (4) **Subsections (1) to (3)** apply for the 2025–26 and later income years.

45C Section EW 60 amended (Trustee of deceased’s estate) 10

- (1) In section EW 60(2)(b), replace “EW 54(1)(a) and (b)” with “EW 54(1)”.
- (2) In section EW 60(3), replace “EW 54(1)(a) and (b)” with “EW 54(1)”.

46 Section EX 20B amended (Attributable CFC amount)

- (1) ~~After section EX 20B(10)(d), insert:~~
 - (e) ~~the revenue account method.~~ 15
- (2) ~~In section EX 20B, list of defined terms, insert “revenue account method”.~~

47 Section EX 29 amended (Attributing interests in FIFs)

In section EX 29(1)(b), replace “EX 43” with “**EX 43B**”.

48 New section EX 43B inserted (Exemption for share users in returning share transfers) 20

- (1) After section EX 43, insert:

EX 43B Exemption for share users in returning share transfers

When this section applies

- (1) This section applies when a share user—
 - (a) acquires an original share under a returning share transfer; and 25
 - (b) disposes of the original share to a person other than the share supplier or a person associated with the share supplier; and
 - (c) acquires an identical share to return to the share supplier under the returning share transfer.

Exemption 30

- (2) The share user’s rights in the original share and the identical share are not attributing interests in a FIF in an income year.

Exclusion

- (3) **Subsection (2)** does not apply if—

<ul style="list-style-type: none"> (a) the share user is related to the share supplier: (b) the returning share transfer is, or is part of, a structured arrangement. <p>Defined in this Act: associated, attributing interest, FIF, identical share, income year, original share, related, returning share transfer, share supplier, share user, structured arrangement</p>	5
(2) Subsection (1) applies to a returning share transfer entered into on or after 1 April 2026.	
49 Section EX 44 amended (Five calculation methods)	
(1) In the heading to section EX 44, replace “Five” with “Six”.	
(2) After section EX 44(1)(f), insert:	
<ul style="list-style-type: none"> (g) the revenue account method. 	10
(3) In section EX 44(2), after “EX 46,”, insert “ EX 46B ,”.	
(4) In section EX 44, list of defined terms, insert “revenue account method”.	
50 Section EX 46 amended (Limits on choice of calculation methods)	
(1) In section EX 46(1)(b),—	
<ul style="list-style-type: none"> (a) after “EX 47,”, insert “EX 47B,”; and (b) after “or section”, insert “EX 46B,”. 	15
(2) After section EX 46(9), insert:	
<i>Revenue account method</i>	
(9B) A person may use the revenue account method to calculate FIF income or loss from an attributing interest in a FIF only if section EX 46B provides that the person may use the revenue account method.	
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(3) In section EX 46, list of defined terms,—	
<ul style="list-style-type: none"> (a) insert “revenue account method”; and (b) delete “accounting profits method”, “generally accepted accounting practice”, “grey list company”, “IFRS 9”, “PIE”, “share supplier”, and “shareholder”. 	25
51 New section EX 46B inserted (Limits on choice of revenue account method)	
After section EX 46, insert:	
EX 46B Limits on choice of revenue account method	
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<i>What this section does</i>	
(1) This section sets out when a person may choose to use the revenue account method to calculate FIF income or loss from an attributing interest in a FIF for an income year.	

Revenue account method

- (2) A person may use the revenue account method to calculate FIF income or loss from an attributing interest in a FIF only if—
- (a) either—
 - (i) the person is a RAM taxpayer and the interest is a RAM interest; 5
or
 - (ii) the person is an extended RAM taxpayer and the interest is an extended RAM interest; and
 - (b) the person chooses to use the revenue account method for the income year in which the person first meets the tests in section CQ 5 (When FIF income arises) or DN 6 (When FIF loss arises) for a RAM interest or extended RAM interest, as applicable, ignoring all excluded RAM interests, and for each later income year; and 10
 - (c) the person uses the revenue account method to calculate FIF income or loss for all their RAM interests or extended RAM interests, as applicable, other than their excluded RAM interests. 15

Revenue account method for previously held interests

- (3) Despite **subsection (2)**, a person may also use the revenue account method to calculate FIF income or loss from an attributing interest in a FIF if—
- (a) the person is a New Zealand resident who is not treated as non-resident under a double tax agreement and is~~but~~ not a transitional resident (a **returning resident**); and 20
 - (b) the person was non-resident, or treated as non-resident under a double tax agreement, before becoming a returning resident; and
 - (c) immediately before the person became non-resident, or treated as non-resident under a double tax agreement, the person was a RAM taxpayer; and 25
 - (d) when the person was a RAM taxpayer, the interest was a RAM interest for which the person chose to use the revenue account method to calculate FIF income or loss; and 30
 - (e) the interest is a RAM interest; and
 - (f) the person chooses to use the revenue account method for the income year in which the person first meets the tests in section CQ 5 or DN 6 after the person becomes a returning resident and for each later income year; and 35
 - (g) the person uses the revenue account method to calculate FIF income or loss for—
 - (i) all interests that satisfy this subsection; and
 - (ii) all other interests for which the person may choose to use the revenue account method, if any. 40

Revenue account method for certain transferred interests

- (4) Despite **subsection (2)**, a person may also use the revenue account method to calculate FIF income or loss from an attributing interest in a FIF if—
- (a) the person is a natural person; and
 - (b) the person acquires the interest from a RAM taxpayer or an extended RAM taxpayer in circumstances to which subpart FB (Transfers of relationship property) or section FC 3 (Property transferred to spouse, civil union partner, or de facto partner) apply; and
 - (c) the interest was a RAM interest for the RAM taxpayer or an extended RAM interest for the extended RAM taxpayer, as applicable; and
 - (d) the RAM taxpayer or extended RAM taxpayer, as applicable, chose to use the revenue account method to calculate FIF income or loss for the interest; and
 - (e) if the interest was a RAM interest for a RAM taxpayer, the interest satisfies the criteria set out in **paragraph (a)** of the definition of RAM interest in **subsection (5)**, ignoring **subparagraph (ii)**.

Revenue account method for previously eligible RAM interests

- (4B) Despite **subsection (2)**, if a person holds an attributing interest in a FIF that is a RAM interest for which they use the revenue account method to calculate the FIF income or loss of the interest and that interest ceases to be a RAM interest, the person may continue to use the revenue account method to calculate the FIF income or loss of that interest.

Meaning of RAM interest

- (5) **RAM interest**, for a person,—
- (a) means an attributing interest in a FIF if—
 - (i) the interest is a share in a foreign company; and
 - (ii) the share was acquired by the person before, or as the result of a contract entered into before, they became a New Zealand resident, including a transitional resident, who is not treated as non-resident under a double tax agreement; and
 - (iii) the share is not listed on a recognised exchange; and
 - (iv) no effective redemption facility for market value is available to the person for the share; and
 - (v) ~~the foreign company does not derive 80% or more of its value~~ less than 80% of the foreign company's value is from shares that would not satisfy **subparagraph (iii) or (iv)**; and
 - (b) includes an attributing interest in a FIF that satisfies the criteria set out in **paragraph (a)**, ignoring **subparagraph (ii)**, if—
 - (i) the person was an extended RAM taxpayer; and

- (ii) the interest was an extended RAM interest of the person; and
- (iii) the person ceased to be an extended RAM taxpayer; and
- (iv) the person continues to hold the interest.

Meaning of extended RAM interest

- (6) **Extended RAM interest**, for a person who is an extended RAM taxpayer, means an attributing interest in a FIF—
- (a) that is a share in a foreign company; and
 - (b) any disposal of which is ~~liable to~~ ~~chargeable with~~ tax under the laws of the country or territory outside New Zealand in which the person is liable to tax on the basis of citizenship or a right to work or live in that country or territory, being a country or territory with which New Zealand has a double tax agreement.

Meaning of excluded RAM interest

- (6B) **Excluded RAM interest**, for a person, means a RAM interest or extended RAM interest for which the person—
- (a) chooses to use the attributable FIF income method under section EX 46(3); or
 - (b) is required to use the comparative value method or deemed rate of return method, as applicable, under section EX 47 or EX 47B.

Meaning of RAM taxpayer

- (7) **RAM taxpayer** means—
- (a) a natural person who—
 - (i) was non-resident or treated as non-resident under a double tax agreement for a continuous period of at least 5 years immediately before becoming New Zealand resident; and
 - (ii) became New Zealand resident and not treated as non-resident under a double tax agreement on or after 1 April 2024 ~~or became New Zealand resident before that date but was a transitional resident and only stopped being a transitional resident on or after that date;~~ and
 - (iii) is New Zealand resident and not treated as non-resident under a double tax agreement and ~~but~~ is not a transitional resident; or
 - (b) the trustee of a trust that—
 - (i) has no gifting settlor who is not a natural person or deceased person; and
 - (ii) at all times in the income year, is a complying trust for a distribution made at the time; and
 - (iii) is mainly for the benefit of 1 or more natural persons for whom the gifting settlors of the trust have natural love and affection (or

had natural love and affection when alive) or is mainly for the benefit of an organisation or trust with income that is exempt income under section CW 41 or CW 42 (which relate to the income of charities); and

- (iv) is not a superannuation scheme; and
- (v) has a principal settlor that satisfies the criteria set out in **paragraph (a)** at the time the trust chooses to use the revenue account method in accordance with **subsection (2)(b)**.

Meaning of extended RAM taxpayer

(8) **Extended RAM taxpayer** means—

- (a) a natural person who—
 - (i) was non-resident or treated as non-resident under a double tax agreement for a continuous period of at least 5 years immediately before ~~first~~ becoming New Zealand resident ~~in accordance with subparagraph (ii)~~; and
 - (ii) became New Zealand resident and not treated as non-resident under a double tax agreement on or after 1 April 2024 ~~or became New Zealand resident before that date but was a transitional resident and only stopped being a transitional resident on or after that date~~; and
 - (iii) is liable to tax in a country or territory outside New Zealand on the basis of citizenship or a right to work or live in that country or territory, being a country or territory with which New Zealand has a double tax agreement; or
- (ab) a natural person who—
 - (i) was previously an extended RAM taxpayer; and
 - (ii) is liable to tax in a country or territory outside New Zealand on the basis of citizenship or a right to work or live in that country or territory, being a country or territory with which New Zealand has a double tax agreement; or
- (b) the trustee of a trust that—
 - (i) satisfies the criteria set out in **paragraph (b)(i) to (iv)** of the definition of RAM taxpayer in **subsection (7)**; and
 - (ii) has a principal settlor that satisfies the criteria set out in **paragraph (a) or (ab)** of this definition.

Transitional provision for transitional residents before 1 April 2024

(9) For the purposes of **subsections (7)(a)(ii) and (8)(a)(ii)**, a person is treated as becoming New Zealand resident on or after 1 April 2024 if the person

became New Zealand resident before that date but was a transitional resident and only stopped being a transitional resident on or after 1 April 2024.

Defined in this Act: amount, attributing interest, comparative value method, complying trust, deemed rate of return method, double tax agreement, excluded RAM interest, exempt income, extended RAM interest, extended RAM taxpayer, FIF, FIF income, FIF loss, foreign company, gifting settlor, income, income year, loss, natural person, New Zealand, New Zealand resident, non-resident, principal settlor, RAM interest, RAM taxpayer, recognised exchange, revenue account method, share, superannuation scheme, tax, transitional resident, trustee

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52 ~~Section EX 48 amended (Default calculation method)~~

~~In section EX 48(1)(b), after “EX 46,” insert “**EX 46B**.”~~

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53 Section EX 51 amended (Comparative value method)

(1) After section EX 51(8), insert:

Treatment of attributing interests subject to returning share transfer

(9) For a person using the comparative value method to calculate FIF income for an attributing interest in a FIF that is an original share subject to a returning share transfer, the attributing interest is treated as being held by the share supplier, except if—

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(a) the share user is related to the share supplier:

(b) the returning share transfer is, or is part of, a structured arrangement.

(2) In section EX 51, list of defined terms, insert “original share”, “related”, “returning share transfer”, “share supplier”, “share user”, and “structured arrangement”.

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(3) **Subsections (1) and (2)** apply to a returning share transfer entered into on or after 1 April 2026.

54 Section EX 53 amended (Fair dividend rate periodic method)

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(1) In section EX 53(16C), replace “fair dividend rate annual method” with “fair dividend rate periodic method”.

(2) In section EX 53, list of defined terms, delete “fair dividend rate annual method”.

(3) **Subsections (1) and (2)** apply for income years beginning on or after 1 July 2018.

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55 Section EX 55 amended (Deemed rate of return method)

(1) Replace section EX 55(4)(b) with:

(b) **deemed rate** is the rate set by a determination made under **section 91AAP** of the Tax Administration Act 1994 for this section for the relevant income year.

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(2) Replace section EX 55(6)(c) with:

(c) **deemed rate** is the rate set by a determination made under **section 91AAP** of the Tax Administration Act 1994 for this section for the relevant income year:

(3) Repeal section EX 55(15).

56 New section EX 56B inserted (Revenue account method)

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After section EX 56, insert:

EX 56B Revenue account method

When this section applies

(1) This section applies if a person is using the revenue account method to calculate FIF income or loss from an attributing interest in a FIF for an income year. 10

Dividend income

(2) The amount of any dividends ~~derived~~^{received} by the person from the interest in the income year, including any foreign withholding tax or other amount that the person is allowed as a credit under section LE 1 (Tax credits for imputation credits) or LJ 2 (Tax credits for foreign income tax) in relation to those dividends, is FIF income of the person for the income year. 15

FIF income or loss on disposal

(3) If the person disposes of the interest in the income year, the amount (the **net disposal amount**) calculated under **subsection (4) or (10)** is— 20

(a) FIF income of the person if the amount is a positive number:

(b) FIF loss of the person if the amount is a negative number.

Net disposal amount: standard calculation

(4) The net disposal amount is the amount calculated using the formula—
(disposal proceeds – cost – foreign accruals) × 0.7.

~~Definition of items~~ *Items in formula in **subsection (4)***

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(5) In the formula in **subsection (4)**,—

(a) **disposal proceeds** is the amount received by the person from disposing, or being treated as disposing, of the interest, including any foreign withholding tax or other amount that the person is allowed as a credit under section LJ 2 in relation to that amount received, determined under **subsection (6)**: 30

(b) **cost** is the amount of the expenditure the person incurs in acquiring the interest for the purpose of applying the revenue account method under this section:

(c) **foreign accruals** is the total amount of any gains or losses from the interest determined under **subsections (7) and (8)** for periods when the person held the interest as a non-resident or a New Zealand resident who is treated as a non-resident under a double tax agreement or is a 35

transitional resident starting on or after the date the person acquires the interest for the purpose of applying the revenue account method under this section.

Disposal proceeds

- (6) For the purposes of **subsections (5)(a) and (11)(a)**, the disposal proceeds is,— 5
- (a) if the person has disposed of the interest during the income year, the amount received by the person from disposing of the interest, unless section GC 4 (Disposals and acquisitions of FIF attributing interests) applies; or 10
- (b) if the person has not disposed of the interest but is treated as having disposed of the interest during the income year, including under any of **subsection (11B) or section EX 63(2), (6), or (8)**~~section EX 63(6), (7), or (8)~~, EX 64(2), EX 65(6), EX 66B(2), or GC 4, the amount the person is treated as having received for the disposal under the relevant section. 15

Foreign accruals

- (7) For the purpose of **subsection (5)(c)**, the foreign accruals for an interest for a period the person held the interest as a non-resident or a New Zealand resident who is treated as a non-resident under a double tax agreement or is a transitional resident is,— 20
- (a) if the period is the period in which the person acquired the interest before first becoming a New Zealand resident who is not treated as a non-resident under a double tax agreement and is~~but~~ not a transitional resident (a **RAM resident**), the market value of the interest on the date (the **first residence date**) the person first becomes a RAM~~New Zealand~~ resident less the cost of the interest; or 25
- (b) if the period is any other period in which the person is a non-resident between periods of being a RAM~~New Zealand~~ resident ~~but not a transitional~~ resident, the market value of the interest on the date (the **residence date**) the person becomes a RAM~~New Zealand~~ resident at the end of that period of non-residence less the market value of the interest on the date (the **non-residence date**) the person became a non-resident at the beginning of that period. 30

When market value must be obtained 35

- (8) For the purpose of **subsection (7)**, the market value of the interest must be obtained before the later of— 35
- (a) the due date of the return for the income year in which the first residence date, the residence date, or the non-residence date, as applicable, falls; and 40

- (b) 12 months from the first residence date, the residence date, or the non-residence date, as applicable.
- When **subsection (10)** applies*
- (9) Despite **subsection (4)**, the net disposal amount is the amount calculated using the formula in **subsection (10)** if the interest is not a share that is listed on a recognised exchange and— 5
- (a) the person is unable to obtain a market value of the interest before the relevant date in **subsection (8)**; or
- (b) the market value of ~~the~~ interest cannot be determined except by independent valuation and the person chooses not to obtain an independent valuation. 10
- Net disposal amount: time-based apportionment*
- (10) The net disposal amount is the amount calculated using the formula—

$$((\text{disposal proceeds} - \text{cost}) \div \text{ownership period} \times \text{FIF period}) \times 0.7.$$
- Definition of items* Items in formula in **subsection (10)** 15
- (11) In the formula in **subsection (10)**,—
- (a) **disposal proceeds** is the amount received by the person from disposing, or being treated as disposing, of the interest, including any foreign withholding tax or other amount that the person is allowed as a credit under section LJ 2 in relation to that amount received, determined under **subsection (6)**: 20
- (b) **cost** is the amount of the expenditure the person incurs in acquiring the interest:
- (c) **ownership period** is the number of days in the period that starts on the day the person acquires the interest and ends on the day the person disposes of the interest: 25
- (d) **FIF period** is the number of days in the period that starts on the day the person first uses the revenue account method to calculate FIF income or loss for the interest ~~meets the tests in section CQ 5 (When FIF income arises) or DN 6 (When FIF loss arises)~~ and ends on the day the person disposes of the interest, excluding the number of days in that period on which the person is a non-resident. 30
- Treatment as disposal on leaving New Zealand*
- (11B) Subject to **subsection (14)**, if the person ceases to be New Zealand resident, the person is treated as having disposed of the interest immediately before the change in residence for an amount equal to its market value at that time. 35
- When ~~subsections (13) and (14)~~ applies* ~~apply~~
- (12) ~~Subsections (13) and (14)~~ applies ~~apply~~ if the person has an amount of FIF income or loss under **subsection (3)** for an income year (the departure year)

that arises because the person is treated as having disposed of the interest under **subsection (11B)**~~section EX 64(2)~~.

Suspended recognition of FIF income or loss

- (13) The amount of FIF income or loss ~~under subsection (3)~~ is an amount of income or loss under section CQ 5 (When FIF income arises) or DN 6 (When FIF loss arises) for the person ~~when the person disposes of the interest if the interest is disposed of within 3 years from the date the person ceased to be resident in New Zealand.~~ for the departure year only if the person actually disposes of the interest before the earlier of— 5

- (a) the date the person becomes New Zealand resident again; and 10
(b) the date that is 3 years from the date the person ceased to be New Zealand resident.

Extension of time bar

- (13B) If **subsection (13)** applies and the disposal referred to in that subsection takes place in an income year (the **disposal year**) that is later than the departure year, despite the time bar, the Commissioner may amend the person's assessment for the departure year to the extent to which it relates to the person's liability for tax on the FIF income or loss arising under **subsection (3)** at any time in the period that ends 4 years after the end of the disposal year. 15

No treatment as disposal~~Deemed disposal ignored if no actual disposal~~ 20

- (14) ~~For the purposes of **subsection (3)**,~~ The person is not treated as having disposed of the interest under **subsection (11B)**~~section EX 64(2)~~ if the person does not actually dispose of the interest before the earlier of—
(a) the date the person becomes New Zealand resident again; and
(b) the date that is 3 years from the date the person ceased to be New Zealand resident. 25

Treatment of attributing interests subject to returning share transfer

- (15) For a person using the revenue account method to calculate FIF income or loss for an attributing interest in a FIF that is an original share subject to a returning share transfer, the attributing interest is treated as being held by the share supplier, except if— 30

- (a) the share user is related to the share supplier;
(b) the returning share transfer is, or is part of, a structured arrangement.

Dividends and disposals for extended RAM taxpayers

- (16) For the purposes of **subsections (2) and (3)** and a person who is an extended RAM taxpayer, if, in the absence of this subsection, the person would have an amount of FIF income or loss under **subsection (2) or (3)** from deriving a dividend from, or disposing of, the interest,— 35

- (a) the person is only treated as having derived a dividend from, or disposed of, the interest if the laws of the country or territory outside New Zea- 40

	land in which the person is liable to tax in accordance with section EX 46B(8)(a)(iii) treats the person as having derived a dividend from, or disposed of, the interest; and	
	(b) <u>the laws of that other country or territory are applied to determine whether the person has derived a dividend from, or disposed of, the interest.</u>	5
	Defined in this Act: amount, <u>assessment</u> , attributing interest, dividend, <u>double tax agreement</u> , FIF, FIF income, FIF loss, foreign withholding tax, income year, market value, <u>New Zealand</u> , New Zealand resident, non-resident, <u>original share</u> , <u>related resident in New Zealand</u> , return, <u>returning share transfer</u> , revenue account method, <u>share supplier</u> , share user, structured arrangement, tax, time bar, transitional resident	10
57	Section EX 57 amended (Conversion of foreign currency amounts: most methods)	
(1)	After section EX 57(1)(b)(iv), insert:	
	(v) the revenue account method.	15
(2)	In section EX 57, list of defined terms, insert “revenue account method”.	
58	Section EX 58 amended (Additional FIF income or loss if CFC owns FIF)	
	In section EX 58(4)(e), replace “section DN 8 (Ring-fencing cap on deduction: attributable FIF income method)” with “section DN 8 or DN 8B (which relate to ring-fencing caps on deductions for the attributable FIF income method and revenue account method)”.	20
59	Section EX 59 amended (Codes: comparative value method, deemed rate of return method, fair dividend rate method, and cost method)	
(1)	In the heading to section EX 59, replace “and cost method” with “cost method, and revenue account method”.	25
(2)	After section EX 59(1)(d), insert:	
	(e) the revenue account method.	
(3)	In section EX 59, list of defined terms, insert “revenue account method”.	
60	New section EX 59B inserted (Ring-fencing RAM net losses)	
	After section EX 59, insert:	30
	EX 59B Ring-fencing RAM net losses	
	<i>When this section applies</i>	
(1)	This section applies when a person has an amount of RAM net loss for an income year under section DN 8B (Ring-fencing cap on deduction: revenue account method).	35
	<i>Loss carried forward</i>	
(2)	The amount of RAM net loss is carried forward to the next tax year as the person’s RAM loss balance.	

Use of RAM loss balance

- (3) A person’s RAM loss balance for a tax year must—
- (a) first be subtracted from their FIF income under **section EX 56B(3)(a)**, to the extent of that FIF income, for the tax year; and
 - (b) second, to the extent of a remaining RAM loss balance, be carried forward to the following tax year.

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Defined in this Act: amount, FIF income, income year, RAM loss balance, RAM net loss, tax year

61 Section EX 62 amended (Limits on changes of method)

- (1) In section EX 62(1), replace “(9)” with “(8C)”.
- (2) After section EX 62(2)(g), insert:
 - (h) in the case of the revenue account method, **section EX 46B(2)** prevents its continued use.

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- (3) After section EX 62(8), insert:

Change from revenue account method

- (8B) A person who uses the revenue account method to calculate FIF income or loss for the person’s attributing interests that are RAM interests or extended RAM interests may choose to change to another calculation method for an income year and all future income years. An election to change to any method other than the attributable FIF income method under this subsection is irrevocable.

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Change to revenue account method

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- (8C) A person may choose to change from another calculation method to the revenue account method for an attributing interest in a FIF only if—
 - (a) the interest was either not previously a RAM interest or was an excluded RAM interest; and
 - (b) at the time of the election, the interest satisfies all the criteria for a RAM interest set out in **section EX 46B(52)**; and
 - (c) the election is made for the first income year in which the interest satisfies **paragraph (b)**; and
 - (d) the person has never held an attributing interest in a FIF for which the person could have chosen to use the revenue account method under **section EX 46B(2)** and for which the person chose not to use that method, other than an excluded RAM interest.

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- (4) Repeal section EX 62(9) and (10).
- (5) In section EX 62, list of defined terms,—
 - (a) insert “excluded RAM interest”, “extended RAM interest”, “RAM interest”, and “revenue account method”; and
 - (b) delete “accounting profits method” and “branch equivalent method”.

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62 Section EX 63 amended (Consequences of changes in method)

- (1) In section EX 63(1)(a) and (b), replace “4” with “5”.
(2) In section EX 63(1)(a), replace “or the cost method” with “the cost method, or the revenue account method”.
(3) After section EX 63(5), insert:

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Change from revenue account method to other cost-based methods

- (6) If a person holding an attributing interest in a FIF chooses to change from the revenue account method to 1 of the other cost-based calculation methods for calculating the FIF income or loss from the interest, the person is treated as having—
(a) disposed of the interest to an unrelated person immediately before the ~~start~~end of the first income year ~~in which the person makes the election to change to which~~ the new method applies; and
(b) reacquired the interest at the start of the ~~following~~ income year; and
(c) received for the disposal and paid for the reacquisition an amount equal to the market value of the interest at the time of the disposal.

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Change to revenue account method from another cost-based method

- (6B) If a person holding an attributing interest in a FIF chooses to change from 1 of the other cost-based calculation methods to the revenue account method for calculating the FIF income or loss from the interest, the person is treated as having—
(a) disposed of the interest to an unrelated person immediately before the start of the first income year to which the revenue account method applies; and
(b) reacquired the interest at the start of the income year; and
(c) received for the disposal and paid for the reacquisition an amount equal to the market value of the interest at the time of the disposal.

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~~Change from revenue account method for ineligible RAM interest~~

- ~~(7) If a person holds an attributing interest in a FIF that is a RAM interest for which they use the revenue account method to calculate the FIF income or loss of the interest and that interest ceases to be a RAM interest, the person is treated as having—~~
~~(a) disposed of the interest to an unrelated person on the day the interest ceases to be a RAM interest; and~~
~~(b) reacquired the interest on the day after the day referred to in **paragraph (a)**; and~~
~~(e) received for the disposal and paid for the reacquisition an amount equal to the market value of the interest at the time of the disposal.~~

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Loss of extended RAM taxpayer status

- (8) If a person who is an extended RAM taxpayer ceases to be an extended RAM taxpayer, the person is treated as having—
- (a) disposed of all the person’s extended RAM interests that do not satisfy 1 or more of the criteria set out in **section EX 46B(5)(a)(iii), (iv), and (v)** to an unrelated person ~~immediately on the day~~ before the person ceases to be an extended RAM taxpayer; and 5
 - (b) reacquired those interests immediately after the person ceases to be an extended RAM taxpayer ~~on the day after the day referred to in **paragraph (a)**~~; and 10
 - (c) received for the disposal and paid for the reacquisition an amount equal to the market value of those interests at the time of the disposal.
- (4) In section EX 63, list of defined terms, insert “extended RAM interest”, “extended RAM taxpayer”, “RAM interest”, and “revenue account method”.
- 63 Section EX 64 amended (Migration of persons holding FIF interests)** 15
- (1) ~~After section EX 64(1)(c)(iv), insert:~~
- (v) ~~the revenue account method.~~
- (2) ~~After section EX 64(3)(d)(iv), insert:~~
- (v) ~~the revenue account method.~~
- (3) ~~In section EX 64, list of defined terms, insert “revenue account method”.~~ 20
- 64 Section EX 65 amended (Changes in application of FIF exemptions)**
- (1) In section EX 65(1)(b)(i), replace “EX 43” with “**EX 43B**”.
 - (2) In section EX 65(2), replace “or the cost method” with “the cost method, or the revenue account method”.
 - (3) In section EX 65(5)(b)(i), replace “EX 43” with “**EX 43B**”. 25
 - (4) In section EX 65(6), replace “fair dividend rate method, or cost method” with “the fair dividend rate method, the cost method, or the revenue account method”.
 - (5) In section EX 65, list of defined terms, insert “revenue account method”.
- 65 Section EX 68 amended (Measurement of cost)** 30
- (1) After section EX 68(1)(e), insert:
 - (f) the revenue account method.
 - (2) In section EX 68, list of defined terms, insert “revenue account method”.
- 66 Section EX 71 amended (Non-market transactions in FIF interests)**
- (1) In section EX 71, replace “or the cost method” with “the cost method, or the revenue account method”. 35

- (2) In section EX 71, list of defined terms, insert “revenue account method”.

67 Section EY 11 amended (Superannuation schemes providing life insurance)

- (1) In section EY 11(2), replace “(3) to (9)” with “(3) to (8)”.

- (2) After section EY 11(5)(a), insert: 5

(ab) a fund approved by the Financial Markets Authority for the purposes of this subsection as providing benefits solely to those who (in the absence of a transfer under section 179 of the Financial Markets Conduct Act 2013) would otherwise be members or beneficiaries of a restricted scheme (within the meaning of section 6(1) of the Financial Markets Conduct Act 2013) that meets the requirements of paragraph (a): 10

- (3) Repeal section EY 11(9) and (12).

67B New section EZ 32H inserted (Person using another method for RAM interest before 1 April 2025)

After section EZ 32G, insert: 15

EZ 32H Person using another method for RAM interest before 1 April 2025

When this section applies

- (1) This section applies, for a person and an attributing interest in a FIF, if—

(a) the person became New Zealand resident on or after 1 April 2024 and before 1 April 2025; and 20

(b) the person met the tests in section CQ 5 (When FIF income arises) or DN 6 (When FIF loss arises) and calculated the FIF income or loss from the interest under the attributable FIF income method, the comparative value method, the deemed rate of return method, the fair dividend rate method, or the cost method for the 2024–25 income year; and 25

(c) the person would have been a RAM taxpayer or an extended RAM taxpayer, and the interest would have been a RAM interest or an extended RAM interest, for the 2024–25 income year if **section EX 46B** (Limits on choice of revenue account method) came into force on 1 April 2024; and 30

(d) the person is a RAM taxpayer or extended RAM taxpayer, and the interest is a RAM interest or extended RAM interest, on 1 April 2025.

Treated as meeting tests for election of RAM method on 1 April 2025

- (2) For the purposes of **section EX 46B(2)(b)**, the person is treated as first meeting the tests in section CQ 5 or DN 6 for that interest on 1 April 2025. 35

Defined in this Act: attributable FIF income method, attributing interest, comparative value method, deemed rate of return method, extended RAM interest, extended RAM taxpayer, FIF, FIF income, FIF loss, income year, New Zealand resident, RAM interest, RAM taxpayer

68	Section FB 1B amended (Meaning of settlement of relationship property and property)	
	In section FB 1B(a)(i), replace “:” with “; and”.	
69	Section FC 9 amended (Residential land transferred to executor, administrator, or beneficiary on death of person)	5
	In section FC 9(2), replace “CB 6A(5)(c)” with “CB 6A(5)(b)(iii)”.	
70	Section FO 2 amended (Amalgamation rules)	
(1)	In section FO 2(b), after “CD 44(8)”, insert “and (8BA) ”.	
(2)	Subsection (1) applies for the 2008–09 and later income years.	
71	Section GC 4 amended (Disposals and acquisitions of FIF attributing interests)	10
(1)	In section GC 4(1)(b) and (3)(b), replace “or the cost method” with “the cost method, or the revenue account method”.	
(2)	In section GC 4, list of defined terms, insert “market value” and “revenue account method”.	15
72	Section HC 25 amended (Foreign-sourced amounts: non-resident trustees)	
	Repeal section HC 25(2)(c).	
73	Section HL 10 amended (Further eligibility requirements relating to investments)	
	After section HL 10(2)(b)(vii), insert:	20
	(viib) an amount derived from validating cryptoasset transactions through a proof of stake consensus mechanism or otherwise using cryptoassets to generate a reward in the form of new or additional cryptoassets:	
74	Section HM 12 amended (Income types)	25
	After section HM 12(1)(b)(ix), insert:	
	(ixb) an amount derived from validating cryptoasset transactions through a proof of stake consensus mechanism or otherwise using cryptoassets to generate a reward in the form of new or additional cryptoassets.	30
<u>74B</u>	<u>Section HM 27 amended (When multi-rate PIE no longer meets investor interest adjustment requirements)</u>	
(1)	Before section HM 27(1), insert the heading:	
	<u>Loss of PIE status</u>	
(2)	In section HM 27, insert as subsection (2):	35

- Exception*
- (2) Despite subsection (1), the Commissioner may determine that a multi-rate PIE does not cease to be a PIE because of a breach of section HM 48 if the Commissioner is satisfied that the breach—
- (a) arose despite the PIE taking reasonable care; and
 - (b) does not have a material impact on any investor in the PIE; and
 - (c) is not part of a pattern of non-compliance.
- (3) In section HM 27, list of defined terms, insert “Commissioner”, “investor”, “multi-rate PIE”, and “PIE”.
- 75 Section HM 35 amended (Determining net amounts and taxable amounts)** 10
In section HM 35(8)(b), replace “makes” with “make”.
- 75B Section HM 35B amended (Treatment of certain provisions made by multi-rate PIEs)**
- (1) In section HM 35B(2)(b), after “or loss,”, insert “other than expenditure described in **paragraph (c)**.”. 15
- (2) After section HM 35B(2)(b), insert:
- (c) for future expenditure incurred in acquiring an identical share under a returning share transfer, the amount that, when incurred, would be a deduction under section HM 35(3)(b).
- (3) In section HM 35B, list of defined terms, insert “identical share” and “returning share transfer”. 20
- (4) **Subsections (1), (2), and (3)** apply to returning share transfers entered into on or after 1 April 2026.
- 75C Section HR 8 amended (Transitional residents)**
- (1) After section HR 8(2), insert: 25
- Treatment of non-resident visitors*
- (2B) For the purposes of determining if a person is a transitional resident under subsection (2), if the person is a non-resident visitor, section YD 1(3) is applied as modified by **section YD 1(13) and (14)**.
- (2) In section HR 8, list of defined terms, insert “non-resident visitor”. 30
- 75D Section HR 9BAA amended (Meaning of originator)**
- (1) In section HR 9BAA(3)(a), delete “debt funding”.
- (2) Replace section HR 9BAA(3)(b) with:
- (b) prepares consolidated financial statements that include the assets referred to in paragraph (a) or is a member of the same wholly-owned 35

group of companies as another person who prepares consolidated financial statements that include those assets.

75E Section HR 9BA amended (Elections to treat debt funding special purpose vehicles as transparent)

- (1) Replace section HR 9BA(1)(b) with: 5
- (b) returning income derived and expenditure incurred by the special purpose vehicle in the originator’s first return of income filed after—
- (i) the first transfer of assets by the originator to the special purpose vehicle:
- (ii) the first date on which the special purpose vehicle holds an attributed asset of the originator as described in section HR 9BAA(3). 10
- (2) In section HR 9BA(2)(c), replace “a special purpose vehicle” with “a debt funding special purpose vehicle”.

75F Section HR 10 amended (What happens when vehicle stops being transparent debt funding special purpose vehicle?) 15

- (1) In section HR 10(1)(a), replace “HR 9(b)” with “HR 9(3)(c)” and “a special purpose vehicle” with “a debt funding special purpose vehicle”.
- (2) In section HR 10(1)(b), replace “a special purpose vehicle” with “a debt funding special purpose vehicle”.
- (3) In section HR 10(1)(c), replace “HR 9(c)” with “HR 9(3)(d)” and “a special purpose vehicle” with “a debt funding special purpose vehicle”. 20
- (4) In section HR 10(1)(d), replace “a special purpose vehicle” with “a debt funding special purpose vehicle”.

75G Section HR 10B amended (What happens when persons stop being originators?) 25

- (1) In section HR 10B(1), words before the paragraphs, after “asset referred to in section HR 9(1)”, insert “or an arrangement, including any liability under that arrangement, described in section HR 9(3)(d)”.
- (2) Replace section HR 10B(2)(a) with:
- (a) they acquired and held the assets, were party to the arrangements, or incurred the liabilities of the first originator, each on the same basis as the first originator: 30
- (3) In section HR 10B(2)(b),—
- (a) after “asset”, insert “, arrangement, or liability”; and
- (b) delete “that is a financial arrangement or excepted financial arrangement”. 35
- (4) In section HR 10B(3), replace “as if they were not an originator for the assets and arrangements referred to in subsection (2)” with “from the originator tran-

Taxation (Annual Rates for 2025–26, Compliance
Simplification, and Remedial Measures) Bill

Part 2 cl 75G

- sition date as if they were not an originator for the assets, arrangements, or liabilities referred to in subsection (2)”.
- (5) Replace section HR 10B(4), other than the heading, with:
- (4) For the purposes of section HR 9, the first originator is treated from the originator transition date as not— 5
- (a) acquiring or holding the assets:
- (b) having been party to the arrangements:
- (c) incurring the liabilities.
- (6) In section HR 10B(5),—
- (a) replace “a special purpose vehicle and an asset” with “a debt funding special purpose vehicle and an asset, arrangement, or liability”; and 10
- (b) after “is treated”, insert “from the originator transition date”.
- (7) After section HR 10B(5), insert:
- Meaning of originator transition date*
- (5B) In this section, **originator transition date** means— 15
- (a) the breach date; or
- (b) the start of the income year that includes the breach date if the first originator and the second originator jointly notify the Commissioner in writing that they choose to apply this paragraph—
- (i) within 20 working days of the breach date; or 20
- (ii) by a later date approved by the Commissioner.
- Tax positions adopted by first originator when originator transition date is the start of an income year*
- (5C) For the purposes of the Inland Revenue Acts, to the extent attributable to the relevant debt funding special purpose vehicle and the part of the income year ending on the breach date, if the originator transition date is the start of the income year that includes the breach date— 25
- (a) the second originator is treated as having filed all returns, provided all information, and made all payments under the Inland Revenue Acts that were filed, provided, or made by the first originator; and 30
- (b) the second originator assumes all liabilities of the first originator under the Inland Revenue Acts in connection with any filings made or tax positions adopted by the first originator.
- (8) In section HR 10B(8), after “1985”, insert “or otherwise result in any deemed disposal or transfer of any assets, arrangements, or liabilities by the first originator for the purposes of any Inland Revenue Act”. 35
- (9) In section HR 10B, list of defined terms, insert “originator transition date”.

75H Section HZ 9 amended (Elections to treat existing debt funding special purpose vehicles as transparent)

- (1) In section HZ 9(1), replace “the day after the date on which the Taxation (Annual Rates for 2018–19, Modernising Tax Administration, and Remedial Matters) Act 2019 receives the Royal assent” with “30 March 2025”. 5
- (2) Replace section HZ 9(2) with:
- (2) An originator makes an election referred to in section HR 9 (Debt funding special purpose vehicles are transparent if election made by originator) for an income year starting on or after 18 March 2019 by,—
- (a) before the return of income referred to in **paragraph (b)**, notifying the Commissioner that the originator chooses to have the liabilities and obligations referred to in section HR 9 that the special purpose vehicle would have in the absence of the election; or 10
- (b) returning income derived and expenditure incurred by the special purpose vehicle in their return of income for the income year. 15

75I Section HZ 10 amended (What happens when election is made under section HZ 9?)

- (1) Replace section HZ 10(1)(b) with:
- (b) immediately before the election has effect, the special purpose vehicle holds property or is party to an arrangement that, immediately after the election has effect, the originator is treated as holding or being party to. 20
- (2) In section HZ 10(2), replace “income year in which” with “income year for which”.
- (3) In section HZ 10(2)(a), replace “financial arrangement or excepted financial arrangement” with “property, or been party to the arrangement.” 25
- (4) In section HZ 10(2)(b), replace “financial arrangement or excepted financial arrangement” with “property or arrangement”.
- (5) In section HZ 10(2)(c), replace “financial arrangement or excepted financial arrangement” with “property or arrangement”.
- (6) In section HZ 10(4), after “1985”, insert “, or otherwise result in any deemed disposal or transfer of any assets, arrangements, or liabilities by the originator for the purposes of any Inland Revenue Act”. 30

75J New section HZ 12 inserted (Amalgamation of Crown Research Institutes)

After section HZ 11, insert:

HZ 12 Amalgamation of Crown Research Institutes 35

Deemed continuity

- (1) Each Crown Research Institute that amalgamated on 1 July 2025 and the resulting amalgamated entity are treated as the same person.

	<u><i>Clarification of separate identity pre-amalgamation</i></u>	
(2)	For the avoidance of doubt, nothing in subsection (1) treats 2 or more amalgamating Crown Research Institutes as the same person at any time.	
	<u><i>Certain changes to interests ignored</i></u>	
(3)	For the purposes of sections IA 5, IC 3, IE 2, IE 3 (which relate to continuity rules for tax losses and grouping), and any other section that depends on interests measured under subpart YC (Measurement of company ownership), any of the following changes to the interests in a company that arise solely because of an amalgamation referred to in subsection (1) are ignored:	5
	(a) a change to the identity of a shareholder:	10
	(b) a change to the measurement of a voting interest, market value circumstance, market value interest, or option as measured under subpart YC.	
	<u>Defined in this Act: company, Crown Research Institute, market value circumstance, market value interest, option, shareholder, voting interest</u>	
76	Section IA 7 amended (Restrictions relating to ring-fenced tax losses)	15
(1)	After section IA 7(6), insert:	
	<i>RAM net losses</i>	
(6B)	The general rules do not apply to a RAM net loss. The provision that deals with this loss is section EX 59B (Ring-fencing RAM net losses).	
(2)	In section IA 7, list of defined terms, insert “RAM net loss”.	20
77	Section LD 1 amended (Tax credits for charitable or other public benefit gifts)	
	In section LD 1(3), replace “year.” with “year, limited to the amount of the person’s taxable income for that tax year.”	
78	Section LE 1 amended (Tax credits for imputation credits)	25
	In section LE 1(4B), replace “and cost method” with “cost method, and revenue account method”.	
79	Section LJ 2 amended (Tax credits for foreign income tax)	
	In section LJ 2(6), replace “and cost method” with “cost method, and revenue account method”.	30
80	New section MH 6 inserted (Orders in Council for FamilyBoost)	
	After section MH 5, insert:	

MH 6 Orders in Council for FamilyBoost

Purpose

- (1) The purpose of **subsection (2)** is to provide a power to expand eligibility to, or increase the amount of, the FamilyBoost tax credit payable to a person under this subpart. 5

What may be done by Order in Council

- (2) The Governor-General may, by Order in Council made on the recommendation of the Minister of Revenue,—
- (a) increase the percentage of licensed early childhood service fees able to be claimed as a FamilyBoost tax credit in section MH 3(2): 10
 - (b) increase the maximum tax credit amount in section MH 3(2) and (3):
 - (c) change the rate of abatement in section MH 5(2):
 - (d) increase the abatement amount under section MH 5(3):
 - (e) increase the threshold for a person’s tax credit income in a tax credit quarter in section MH 5(3): 15
 - (f) increase the tax credit income threshold at which the abatement begins under sections MH 3(3) and MH 5(2).

Application of Order in Council

- (3) An Order in Council made under **subsection (2)** applies to tax credit quarters starting on or after the first day of a quarter and cannot apply earlier than the quarter in which the order is made. 20

Secondary legislation

- (4) An Order in Council made under **subsection (2)**—
- (a) is secondary legislation (*see* Part 3 of the Legislation Act 2019 for publication requirements); and 25
 - (b) commences in accordance with **subsection (3)**, even if it is not yet published.

Defined in this Act: FamilyBoost tax credit, licensed early childhood service fees, quarter, tax credit income, tax credit quarter

81 Section MK 2 amended (Eligibility requirements) 30

In section MK 2(1)(cb), replace “clause 12B of the KiwiSaver scheme rules” with “schedule 1, clause 12B of the KiwiSaver Act 2006”.

82 Section RA 21 amended (Regulations)

- (1) In section RA 21(1)(c), replace “class or persons” with “class of persons”.
- (2) Repeal section RA 21(3) and (4). 35
- (3) In section RA 21, list of defined terms, delete “employment-related loan”, “interest”, “prescribed rate of interest”, and “quarter”.

- 83 Section RC 38 amended (Crediting income tax with early-payment discount)**
- In section RC 38(4)(a), replace “an Order in Council” with “a determination”.
- 84 Section RD 8 amended (Scholar payments)**
- (1) After section RD 8(1)(b)(vi), insert: 5
- (vii) an amount of exempt income of a non-resident visitor under **section CW 22B** (Amounts derived by non-resident visitors during visits); or
- (viii) an amount of exempt income of a non-resident under **section CW 22C** (Amounts derived by non-residents from non-resident visitors in New Zealand). 10
- (2) In section RD 8, list of defined terms, insert “exempt income”, “non-resident”, and “non-resident visitor”.
- 84B Section RD 20B amended (Treatment of certain support payments made for period of more than 1 year)** 15
- (1) In section RD 20B, replace the section heading with “Treatment of certain support payments for period of more than 365 days”.
- (2) In section RD 20B(1), replace “1 income year” with “365 consecutive days”.
- (3) **Subsections (1) and (2)** apply to a person for accident compensation earnings-related payments and personal service rehabilitation payments made on or after 1 April 2024. However, **subsection (2)** does not apply to a person in relation to a tax position taken by the person— 20
- (a) in the period that starts on 1 April 2024 and ends on the day after the date on which the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Act **2025** receives the Royal assent; and 25
- (b) relying on section RD 20B as it was before the amendment made by **subsection (2)**.
- 85 New section RD 38B inserted (Gift cards)**
- After section RD 38, insert: 30
- RD 38B Gift cards**
- The value of a benefit that an employer provides to their employee by way of a gift card is the amount loaded on the card.
- Defined in this Act: employee, employer, gift card
- 86 Section RD 45 amended (Unclassified benefits)** 35
- (1A) In the heading to section RD 45, after “benefits”, insert “and gift cards”.
- (1AB) After section RD 45(1), insert:

Gift cards

(1B) For the purposes of this section, a gift card is treated as an unclassified benefit and a benefit.

~~(1) In section RD 45(2)(b), delete “unclassified”.~~

(1B) In section RD 45(2)(b), after “unclassified benefits”, insert “or benefits”. 5

~~(2) In section RD 45(3)(b), delete “unclassified”.~~

(2B) In section RD 45(3)(b), after “unclassified benefits”, insert “or benefits”.

(3) Replace section RD 45(4)(c) with:

(c) benefits provided by the employer to employees of persons associated, at any time in the relevant period, with the employer when the benefits would be unclassified benefits if provided to an employee of the employer: 10

(4) Replace section RD 45(4)(d) with:

(d) if the employer is a company, benefits provided by other companies, ~~which~~ that are, at any time in the relevant period, part of the same group of companies as the employer; to employees of those other companies when the benefits would be unclassified benefits if provided to an employee of the employer. 15

~~(5) In section RD 45(5)(b), delete “unclassified”.~~

(5B) In section RD 45(5)(b), after “unclassified benefits”, insert “or benefits”. 20

(6) **Subsections (1B), (2B), (3), (4), and (5B)(4) to (5)** apply for the 2022–23 and later income years. However, **subsections (1B), (2B), (3), (4), and (5B)(4) to (5)** do not apply to a person in relation to a tax position taken by the person—

(a) in the period that starts on the first day of the 2022–23 income year and ends on 26 August 2025 ~~the date of introduction of the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill;~~ and 25

(b) relying on section RD 45 as it was before the amendments made by **subsections (1B) to (5B)(4) to (5)**. 30

87 Section RD 47 amended (Attribution of certain fringe benefits)

(1A) In section RD 47(1)(d), after “(Meaning of fringe benefit)”, insert “or gift cards under **section CX 16B** (Gift cards), or both.”.

~~(1) After section RD 47(1)(d), insert:~~

~~(e) providing a fringe benefit to an employee under **section CX 16B** (Gift cards) with a taxable value of \$2,000 or more in a year.~~ 35

(2) In section RD 47, list of defined terms, insert “gift card”.

- 88 Section RD 49 amended (Application of thresholds to attributed benefits)**
- (1) In section RD 49(2), replace “RD 47(1)(c) and (d)” with “RD 47(1)(c) or (d), ~~(d), or (e)~~”.
- (2) After section RD 49(3), insert:
- Exception for specified insurance premiums paid for all employees* 5
- (3B) Despite section RD 47(1)(c)(v), if the employer pays a specified insurance premium or makes a contribution to the insurance fund of a friendly society for the benefit of an employee under section CX 16 (Contributions to life or health insurance) with a taxable value over the threshold, they may pool the value of the benefit under section RD 53 if all their employees have the same or a similar entitlement to the benefit. 10
- 89 Section RD 50 amended (Employer’s liability for attributed benefits)**
- (1) In section RD 50(6)(b)(ii), replace “129,681” with “130,724”.
- (2) **Subsection (1)** applies for the 2025–26 and later income years.
- 90 Section RD 53 amended (Pooling non-attributed benefits)** 15
- After section RD 53(1)(e), insert:
- (f) payment of an insurance premium or contribution to an insurance fund to which **section RD 49(3B)** applies.
- 91 Section RD 64 amended (ESCT rules and their application)**
- (1) After section RD 64(2), insert: 20
- Exception for non-resident visitors*
- (3) Despite subsection (2), the ESCT rules do not apply to an employer of, or a person who makes an employer’s superannuation cash contribution for the benefit of, a person who is a non-resident visitor.
- (2) In section RD 64, list of defined terms, insert “non-resident visitor”. 25
- 92 Section RE 10B amended (Amounts withheld from distributions to holders of FIF attributing interests)**
- In section RE 10B(1)(b), replace “and cost method” with “cost method, and revenue account method”.
- 92B Section RF 3 amended (Obligation to withhold amounts of tax for non-resident passive income)** 30
- (1) In section RF 3(1E), after “subsection (1B)”, insert “or (1C)”.
- (2) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (1)** applies for income years commencing on or after 1 April 2008. However, **subsection (1)** does not apply to a person in relation to a tax position taken by the person— 35

- (a) in the period that starts on 1 April 2008 and ends on 26 August 2024; and
- (b) that is inconsistent with the amendment made to section RF 3 by **subsection (1)**.

92C Section RF 12 amended (Interest paid by approved issuers or transitional residents) 5

- (1) In section RF 12(1)(a)(ii), replace “a trust (a **security trust**) established for the main purpose of protecting and enforcing beneficiaries’ rights under the registered security” with “a security trust”.
- (2) In section RF 12, list of defined terms, insert “security trust”. 10

93 Section RL 1 amended (Residential land withholding tax)

In section RL 1(2)(a), replace “CB 6A(5)(a)” with “CB 6A(5)(b)(i)”.

94 New cross-heading and section RZ 17 inserted

After section RZ 16, insert:

Interest rate on employment-related loans 15

RZ 17 Interest rate on employment-related loans: transitional provision

- (1) This section applies for the period commencing on the date the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Act **2025** comes into force and ending on the day before the date a rate of interest for employment-related loans determined by the Commissioner under **section 90B** of the Tax Administration Act 1994 first applies. 20
- (2) For the purposes of the definition of prescribed rate of interest in section YA 1 (Definitions), the **prescribed rate of interest** means the rate applying under the Income Tax (Fringe Benefit Tax, Interest on Loans) Regulations 1995 immediately before their revocation by the Taxation (Annual Rates for 2025– 25
26, Compliance Simplification, and Remedial Measures) Act **2025**.

95 Section YA 1 amended (Definitions)

- (1) This section amends section YA 1.
- (2) In the definition of **attributing interest**, replace “EX 43” with “**EX 43B**”.
- (3) Insert, in appropriate alphabetical order: 30
benefit in money is defined in **section CE 1(2B)** (Amounts derived in connection with employment) for the purposes of that section
- (4) In the definition of **calculation method**, replace “and the cost method” with “the cost method, and the revenue account method”.
- (5) In the definition of **civil union partner**,— 35
 - (a) replace “section” with “sections”; and

- (b) after “earners)”, insert “and **YD 1B** (Non-resident visitors)”.
- (5B)** In the definition of **company**,—
- (a) after paragraph (a), insert:
- (aba) for the purposes of section YC 4 (Look-through rule for corporate shareholders), includes a partnership treated as a company under **section YC 4(9)**: 5
- (abab) for the purposes of section YC 11 (No look-through rule for companies in certain cases), includes a partnership treated as a company under **section YC 11(5)**:
- (b) in paragraph (ab)(ii),— 10
- (i) after “of section YB 14”, insert “,”:
- (ii) delete “(Look-through rule for corporate shareholders)”:
- (iii) after “YC 4”, insert “, or under **section YC 4(9)** for the purposes of section YC 4, or under **section YC 11(5)** for the purposes of section YC 11”: 15
- (6)** Replace the definition of **contract activity or service** with:
- contract activity or service**, for a non-resident contractor,—
- (a)** means—
- (i)** performing any work in New Zealand:
- (ii)** rendering a service of any kind in New Zealand: 20
- (iii)** providing the use of, or right to use, in New Zealand, any personal property or services of a person other than the non-resident contractor:
- (b)** does not include—
- (i)** the operation of aircraft or ships by a non-resident, except when they load or ship cargo or embark or transport passengers in New Zealand for delivery or disembarkation in New Zealand: 25
- (ii)** the provision of software as a service, platform as a service, or infrastructure as a service, except to the extent to which the service involves ~~infrastructure or~~ personnel located in New Zealand other than personnel who satisfy the conditions in section RD 8(1)(b)(v) (Schedular payments) 30
- (7)** Insert, in appropriate alphabetical order:
- employee deferred shares** means shares issued or transferred to an employee share scheme beneficiary under an employee share scheme by a company that, in accordance with **section EA 4B(2)** (Deferred tax for unlisted employee share schemes), an employer has chosen to designate as employee deferred shares 35
- (8)** Insert, in appropriate alphabetical order:

- excess electricity** is defined in **section CW 61B** (Income from supply of excess electricity from dwelling) for the purposes of that section
- (8B) Insert, in appropriate alphabetical order:
excluded RAM interest is defined in **section EX 46B(6B)** (Limits on choice of revenue account method) 5
- (9) Insert, in appropriate alphabetical order:
extended RAM interest is defined in **section EX 46B(6)** (Limits on choice of revenue account method)
- (10) Insert, in appropriate alphabetical order:
extended RAM taxpayer is defined in **section EX 46B(8)** (Limits on choice of revenue account method) 10
- (11) In the definition of **fixed establishment**, after paragraph (c)(ii), insert:
(iii) a fixed place of business of a person who is a non-resident visitor
- (12) Insert, in appropriate alphabetical order:
gift card means any form of pre-paid card that is redeemable for, or used to purchase, goods or services, but does not include a short-term charge facility as defined in section CX 25(3) (Benefits provided by charitable organisations) 15
- (13) Replace the definition of **imputation credit** with:
imputation credit means a credit referred to in section OA 5(2) (Credits)
- (14) Insert, in appropriate alphabetical order: 20
liquidity event date is defined in **section EA 4B** (Deferred tax for unlisted employee share schemes)
- (14B) In the definition of **market value interest**,—
(a) in paragraph (ab), after “thing of the limited partnership”, insert “at the time”; and 25
(b) after paragraph (ab), insert:
(ac) means, for a person and a partnership that is treated as a company under **section YC 4(9)** (Look-through rule for corporate shareholders) or **YC 11(5)** (No look-through rule for companies in certain cases) and a time, the partnership share the person has in a right, obligation, or other property, status, or thing of the partnership at the time; 30
- (15) Insert, in appropriate alphabetical order:
non-resident visitor is defined in **section YD 1B** (Non-resident visitors)
- (15B) Insert, in appropriate alphabetical order:
originator transition date is defined in section HR 10B (What happens when persons stop being originators?) 35

- (16) In the definition of **prescribed rate of interest**, replace “declared by regulations made under section RA 21(3) (Regulations)” with “determined by the Commissioner under **section 90B** of the Tax Administration Act 1994”.
- (17) In the definition of **public entertainer**, after “of that section”, insert “and **sections CW 22B and CW 22C** (which relate to amounts derived from and by non-resident visitors during visits)”. 5
- (18) Insert, in appropriate alphabetical order:
publish, as a requirement for the Commissioner, has the meaning set out in **section 14H** of the Tax Administration Act 1994
- (19) Insert, in appropriate alphabetical order: 10
RAM interest is defined in **section EX 46B(5)** (Limits on choice of revenue account method)
- (20) Insert, in appropriate alphabetical order:
RAM loss balance, for a tax year, means the sum of all RAM net losses arising in an earlier tax year and carried forward under **section EX 59B(2)** (Ring-fencing RAM net losses) to the tax year to the extent the losses have not been used under **section EX 59B(3)** 15
- (21) Insert, in appropriate alphabetical order:
RAM net loss, for a person and for an income year in which the person has a FIF loss under **section EX 56B(3)(b)** (Revenue account method), means the part of the FIF loss for which the person is denied a deduction because of **section DN 8B** (Ring-fencing cap on deduction: revenue account method) 20
- (22) Insert, in appropriate alphabetical order:
RAM taxpayer is defined in **section EX 46B(7)** (Limits on choice of revenue account method) 25
- (23) Insert, in appropriate alphabetical order:
revenue account method means the method of calculating FIF income or loss in **section EX 56B** (Revenue account method)
- (24) In the definition of **schedular income**, ~~—repeal paragraph (e).~~ 30
(a) repeal paragraph (e); and
(b) in paragraph (l), replace “Treatment of certain support payments made for period of more than 1 year” with “Treatment of certain support payments for period of more than 365 days”.
- (24B) Insert, in appropriate alphabetical order: 35
security trust,—
(a) in section YB 16 (Exceptions for certain trusts and charitable organisations), means a trust established for the main purpose of protecting and enforcing beneficiaries’ rights under a financial arrangement:

- (b) in section RF 12 (Interest paid by approved issuers or transitional residents), means a trust established for the main purpose of protecting and enforcing beneficiaries’ rights under a registered security as described in section RF 12(1)(a)(i)
- (24C) In the definition of **special corporate entity**, after paragraph (g), insert: 5
 (gb) New Zealand Institute of Advanced Technology:
- ~~(25) In the definition of **spouse**, after “families”, insert “and **section YD 1B (Non-resident visitors)**”.~~
- (25B) In the definition of **spouse**, replace “and in” with “**section YD 1B (Non-resident visitors)**, and”. 10
- (26) In the definition of **trading stock**,—
 (a) in paragraph (a), after “(b),”, insert “**(ca)**,”:
 (b) before paragraph (c), insert:
 (ca) in **section DI 2** (When this subpart applies and does not apply), means property that is trading stock under section EB 2, ignoring section EB 2(3)(a): 15
- (27) In the definition of **trust rules**, in paragraph (h), delete “59BA, 59BAB,”.
- (27B) In the definition of **voting interest**,—
 (a) in paragraph (bb), after “thing of that limited partnership”, insert “at the time”: 20
 (b) in paragraph (bc), after “thing of that limited partnership”, insert “at the time”:
 (c) after **paragraph (bc)**, insert:
 (bd) means, for a person and a partnership that is treated as a company under section YC 4(9) or YC 11(5) (No look-through rule for companies in certain cases) and a time, the partnership share the person has in a right, obligation, or other property, status, or thing of that partnership at the time: 25
- (27C) **Subsections (14B)(a) and (27B)(a)** apply, for the purposes of—
 (a) provisions other than the land provisions, for the 2010–11 and later income years: 30
 (b) the land provisions other than section CB 11 (Disposal within 10 years of improvement: building business), for land acquired on or after 6 October 2009:
 (c) section CB 11, for land on which improvements are begun on or after 6 October 2009. 35
- (28) **Subsection (27)** applies for the 2026–27 and later income years.

96 Section YA 2 amended (Meaning of income tax varied)

- (1) Repeal section YA 2(1)(a).
- (2) In section YA 2(1)(c), replace “107A to 108B” with “107A and 108”.
- (3) Replace section YA 2(2) with:
 - (2) The term **income tax** includes a tax that is prescribed in a tax recovery agreement made under Part 10A of the Tax Administration Act 1994 in section BH 1 (Double tax agreements). 5
- (4) Repeal section YA 2(3)(a).

96B Section YB 16 amended (Exceptions for certain trusts and charitable organisations) 10

- (1) Replace section YB 16(3) with:
 - Persons not associated because of role in security trust*
 - (3) A person (person A) who is party to a financial arrangement with another person (person B) is not associated with person B solely because, in relation to a security trust established or existing in connection with the financial arrangement, person A— 15
 - (a) is a beneficiary:
 - (b) is a settlor:
 - (c) has a power to appoint or remove a trustee.
 - Persons not associated because of role in securitisation trust* 20
 - (4) A person who is party to a financial arrangement with the trustee of a securitisation trust is not associated with the trustee of the securitisation trust if the person,—
 - (a) in the absence of this subsection, would be associated with the trustee of the securitisation trust solely because they— 25
 - (i) are a settlor of the securitisation trust:
 - (ii) have a power to appoint or remove the trustee of the securitisation trust; and
 - (b) becomes a settlor or acquires such a power only as an incident of being a party to the financial arrangement. 30
- (2) In section YB 16, list of defined terms, insert “security trust”.

96C Section YC 4 amended (Look-through rule for corporate shareholders)

- (1) After section YC 4(8), insert:
 - Partnership treated as company*
 - (9) For the purposes of this section, a partnership is treated as a company if the partnership has, or is treated as having, a voting interest in a company or, if a 35

	<u>market value circumstance exists for the company, a market value interest in the company.</u>	
(2)	<u>In section YC 4, list of defined terms, insert “market value circumstance” and “partnership”.</u>	
96D	<u>Section YC 11 amended (No look-through rule for companies in certain cases)</u>	5
(1)	After section YC 11(4), insert: <i>Partnership treated as company</i>	
(5)	<u>For the purposes of this section, a partnership is treated as a company if the partnership has, or is treated as having, a voting interest in a company or, if a market value circumstance exists for the company, a market value interest in the company.</u>	10
(2)	<u>In section YC 11, list of defined terms, insert “market value circumstance” and “partnership”.</u>	
97	<u>Section YD 1 amended (Residence of natural persons)</u>	15
(1)	After section YD 1(12), insert: <i>Treatment of non-resident visitors</i>	
(13)	Despite subsection (3), if a person is a non-resident visitor, they are treated as a non-resident for the period they are a non-resident visitor unless section YD 1B(3)(a) applies.	20
	<i>Treatment on ending non-resident visitor status</i>	
(14)	Despite subsection (4), if a person who is a non-resident visitor stops being a non-resident visitor under section YD 1B(3B) or (4) and meets satisfies the requirement in subsection (3), the person is only treated as a resident from the first day the person stops being a non-resident visitor.	25
(2)	In section YD 1, list of defined terms, insert “non-resident” and “non-resident visitor”.	
98	<u>New section YD 1B inserted (Non-resident visitors)</u>	
(1)	After section YD 1, insert: YD 1B Non-resident visitors <i>What this section does</i>	30
(1)	This section contains the rules for determining when a person is a non-resident visitor and when they cease to be a non-resident visitor.	
	<i>Meaning of non-resident visitor</i>	
(2)	A person who visits New Zealand is a non-resident visitor if—	35
(a)	they are a natural person; and	

- (b) their visit is for 275 or fewer days, counting the days of arrival and departure as a whole day each; and
- (c) they are personally present in New Zealand for 275 or fewer days in total in an 18-month period that includes the period of the visit; and
- (d) immediately before the first day they are personally present, they were not resident in New Zealand and were not a transitional resident; and 5
- (e) they are not undertaking work that—
- (i) is for a New Zealand resident or a New Zealand branch of a non-resident; or
- (ii) is offering goods or services in New Zealand for income from persons or businesses in New Zealand; or 10
- (iii) requires the person to be physically present in New Zealand; and
- (f) they, or their spouse, civil union partner, or de facto partner, are not receiving an entitlement under the family scheme; and
- (g) they are lawfully present in New Zealand under the Immigration Act 2009; and 15
- (h) they are ~~tax~~ resident in a country or territory outside New Zealand or liable to tax in a country or territory outside New Zealand on the basis of citizenship that imposes a tax that is substantially the same as income tax imposed under this Act. 20

Ending non-resident visitor status: unlawful presence

- (3) If a person who is a non-resident visitor ceases to ~~be lawfully present in New Zealand, the person stops being a non-resident visitor and is treated as if they were never a non-resident visitor for the purposes of section YD 1.~~ meet the requirement in **subsection (2)(g).** 25
- (a) for the purposes of determining the person's liabilities and obligations under this Act, the person stops being a non-resident visitor and is treated as if they were never a non-resident visitor;
- (b) for the purposes of determining the liabilities and obligations under this Act of any other person, the person stops being a non-resident visitor on the date the cessation occurs. 30

Ending non-resident visitor status: change of residency or citizenship status

- (3B) If a person who is a non-resident visitor ceases to meet the requirement in **subsection (2)(h), the person stops being a non-resident visitor on the date the event that causes the cessation of residency or liability to tax occurs, regardless of whether the laws of that foreign country or territory treat the person's cessation of residency or liability to tax as having occurred on an earlier date.** 35

	<i>Ending non-resident visitor status: other requirements</i>	
(4)	Subject to subsection (3), if a person who is a non-resident visitor ceases to <u>meetsatisfy</u> 1 or more of the requirements in subsection (2)(a) to (f), the person stops being a non-resident visitor on the date the cessation occurs.	
	Defined in this Act: business, civil union partner, de facto partner, family scheme, income, income tax , natural person, New Zealand, New Zealand resident, non-resident, non-resident visitor, resident in New Zealand, spouse, tax, transitional resident	5
(2)	<u>Subsection (1) applies to a person who commences a visit to New Zealand on or after 1 April 2026.</u>	
99	Section YD 2 amended (Residence of companies)	10
(1)	After section YD 2(1B), insert:	
	<i>Treatment of non-resident visitors: centre of management and director control</i>	
(1C)	For the purposes of subsection (1)(b), (c), and (d) and section YD 3(4)(b), (c), and (d), and for a foreign company, the activities in New Zealand of a non-resident visitor are disregarded if the foreign company is tax resident in a country or territory that imposes a tax that is substantially the same as income tax imposed under this Act.	15
(1B)	<u>In section YD 2, list of defined terms, insert “New Zealand” and “non-resident visitor”.</u>	
(2)	In section YD 2, list of defined terms, insert “income tax”, “New Zealand”, and “non-resident visitor”.	20
100	Section YD 3 amended (Country of residence of foreign companies)	
	In section YD 3(4), replace “The company” with “Subject to section YD 2(1C) , the company”.	
100B	Section YD 4 amended (Classes of income treated as having New Zealand source)	25
(1)	After section YD 4(17C)(b), insert:	
	<u>(c) the income arises because of the activities in New Zealand of a non-resident visitor.</u>	
(2)	After section YD 4(17D)(c), insert:	30
	<u>(d) income derived by the non-resident because of the activities in New Zealand of a non-resident visitor.</u>	
(3)	<u>In section YD 4, list of defined terms, insert “non-resident visitor”.</u>	
101	Section YD 4B amended (Meaning of permanent establishment)	
(1)	After section YD 4B(4), insert:	35

	<i>Exception</i>	
(5)	For the purposes of subsections (2) to (4) and determining if an enterprise has a permanent establishment in New Zealand, the activities in New Zealand of a non-resident visitor are disregarded.	
(2)	In section YD 4B, list of defined terms, insert “non-resident visitor”.	5
102	Schedule 5 amended (Fringe benefit values for motor vehicles)	
(1)	This section amends schedule 5.	
(2)	In clauses 1, 2, 6, 7, 7C, 8, 9, 10, 12 and 13, replace “tax value” with “adjusted tax value” in each place.	
(3)	In clause 3, replace “a motor vehicle’s tax value in a quarter” with “a motor vehicle’s taxable value in a quarter”.	10
(4)	In clause 3(a), replace “the value of the vehicle” with “the adjusted tax value of the vehicle”.	
(5)	Replace clause 4 with:	
4	For the purposes of clause 3, the taxable value of the vehicle is the adjusted tax value it would have been under subpart EE at the beginning of the tax year or income year, or at the time of the acquisition in the year, treating the cost of the vehicle on acquisition as the amount determined under—	15
	(a) clause 5, if—	
	(i) the cost price was last used by person A or person B for the vehicle under clause 1;	20
	(ii) clause 1 did not apply to the vehicle in the 2-year period referred to in clause 3(c) and neither person A nor person B has used the adjusted tax value for the vehicle under clause 1;	
	(b) clause 6, if person A did not own the vehicle and person B last used the adjusted tax value of the vehicle under clause 1;	25
	(c) clause 7, if person A did not own the vehicle and the adjusted tax value was last used for the vehicle under clause 1.	
(6)	After clause 7C, insert:	
7D	For the purposes of this schedule, if a person who owns a motor vehicle to which this schedule applies has been allowed a deduction for the vehicle under section DI 5,—	30
	(a) the cost or cost price of the vehicle to the person on the first acquisition of it by them is the cost price before the deduction is taken into account; and	35
	(b) when determining the adjusted tax value of the vehicle under subpart EE, the cost for the purposes of section EE 57 is not reduced by the deduction under section DI 5.	

102B Schedule 5 amended (Fringe benefit values for motor vehicles)

- (1) This section amends schedule 5.
- (2) In the heading, before “GB 31”, insert “DI 5”.
- (3) After clause 1(b), insert:
- (c) if expenditure on the vehicle has been allowed as a deduction for a new investment asset under section DI 5, subject to clause 10, the basis of the tax value of the vehicle to the person: for a quarter, 10.35% of the tax value, and for a tax year or income year, 41.4% of the tax value. 5
- (4) After clause 10(c), insert:
- (cb) the reference to 10.35% in clause 1 is treated as if it were a reference to a percentage calculated using the formula— 10
 $10.35 + (10.35 \times \text{rate of GST applying on last day of relevant quarter})$:
- (5) After clause 10(e), insert:
- (f) the reference to 41.4% in clause 1 is treated as if it were a reference to a percentage calculated using the formula— 15
 $41.4 + (41.4 \times \text{rate of GST applying on last day of relevant quarter})$.
- (6) Replace clause 13 with:
- 13** The minimum tax value of a motor vehicle to which this schedule applies is—
- (a) \$8,333; or
- (b) \$7,317 if expenditure on the vehicle has been allowed as a deduction for a new investment asset under section DI 5. 20

103 Schedule 28 amended (Requirements for complying fund rules)

- (1) In schedule 28, clause 7, replace “3%” with “3.5%” and replace “2006).” with “2006), unless the employee has directed the trustee or agreed as a term of membership that the rate will be 3%.” 25
- (2) In schedule 28, clause 7, replace “3.5%” with “4%”.

104 Schedule 32 amended (Recipients of charitable or other public benefit gifts)

- (1) This section amends schedule 32.
- (1B) Replace “International Christian Aid (ICA)” with “International Christian Aid Relief Enterprises”. 30
- (1C) Replace “The New Zealand Society for the Intellectually Handicapped (Incorporated)” with “IHC New Zealand Incorporated”.
- (1D) Replace “Hope Foundation Development” with “Building for Education”.
- (1E) Replace “Hope International Charitable Trust” with “HOPENZ Charitable Trust”. 35

- (1F) Replace “Te Tuao Tawahi: Volunteer Service Abroad Incorporated” with “Volunteer Service Abroad: Te Tūao Tāwāhi Incorporated”.
- (2) Delete “New Zealand for UNHCR (United Nations High Commissioner for Refugees)”.
- (3) Insert, in appropriate alphabetical order, “Aotearoa New Zealand for UNHCR”. 5
- (4) Insert, in appropriate alphabetical order, “Engineers Without Borders New Zealand”.
- (5) Insert, in appropriate alphabetical order,—
- (a) “Days for Girls NZ”; and
- (b) “EduTech Nepal Foundation”; and 10
- (c) “Revive Afghanistan NZ”; and
- (d) “UN Women Aotearoa New Zealand”.
- (5B) Replace “Revive Afghanistan NZ” with “Revive All NZ”.
- (5C) Replace “EduTech Nepal Foundation” with “EduTech Foundation”.
- (6) Delete— 15
- (aa) “Four Sherpa Trust”; and
- (aab) “Fund for Timor”; and
- (a) “Greater Mekong Subregion Tertiary Education Consortium Trust”; and
- (ab) “New Zealand Disaster Assistance Response Team Trust”; and
- (ac) “NPH New Zealand Charitable Trust”; and 20
- (ad) “NZ-Iraqi Relief Charitable Trust”; and
- (b) “Register of Engineers for Disaster Relief New Zealand”; and
- (c) “Sir Ray Avery Foundation”; and
- (d) “Solomon Outreach Society”; and
- (e) “Tender Trust”; and 25
- (f) “Toraja Rural Development Charitable Trust”; and
- (g) “Valehead Community Health Centre Trust”.
- (7) Delete—
- (a) “Engineers Without Borders New Zealand Incorporated”; and
- (b) “UN Women Aotearoa New Zealand Incorporated”. 30

105 Schedule 35 amended (Public purpose Crown-controlled companies)

- (1) This section amends schedule 35.
- (2) Delete “Crown Infrastructure Partners Limited”.
- (3) Delete “Rau Paenga Limited”.

- (4) Insert, in appropriate alphabetical order, “National Infrastructure Funding and Financing Limited”.
- (5) Insert, in appropriate alphabetical order, “Crown Infrastructure Delivery Limited”.

106 Consequential amendments to Income Tax Act 2007 related to repeal of sections in subpart RM 5

The Income Tax Act 2007 is amended as set out in **schedule 1, part A**.

Part 3

Amendments to Goods and Services Tax Act 1985

107 Amendments to Goods and Services Tax Act 1985 10

This Part amends the Goods and Services Tax Act 1985.

108 Section 2 amended (Interpretation)

- (1) This section amends section 2(1).
- (2) Insert, in appropriate alphabetical order:
~~elective-flow-through joint venture~~ means a joint venture for which an election has been made under **section 57B(1)** and does not include a partnership 15

- (3) ~~Insert, in appropriate alphabetical order:~~
~~flow-through joint venture~~—
 - (a) ~~means—~~
 - (i) ~~an output sharing joint venture; or~~ 20
 - (ii) ~~an elective flow-through joint venture; and~~
 - (b) ~~does not include—~~
 - (i) ~~a partnership; or~~
 - (ii) ~~an ordinary joint venture~~

- (4) Insert, in appropriate alphabetical order: 25
joint venture property means assets jointly owned and rights jointly held by members of a joint venture for the purposes of the joint venture

- (5) In the definition of **land**, in the words before the paragraphs, after “land rules”, insert “and in **section 11(1)(md)**”.

- (6) Insert, in appropriate alphabetical order: 30
non-integral deductions means, for goods (the **main goods**), deductions for other goods or services that—
 - (a) did not make a substantial improvement to the main goods; and
 - (b) did not become an integral part of the main goods without which the main goods would be incomplete or unable to function 35

- (7) Insert, in appropriate alphabetical order:
non-resident visitor has the same meaning as in section YA 1 of the Income Tax Act 2007
- (8) Insert, in appropriate alphabetical order:
ordinary joint venture means a joint venture that is not a partnership or a flow-through joint venture 5
- ~~(9) Insert, in appropriate alphabetical order:
output-sharing joint venture means a joint venture—
(a) that is entered into to obtain discrete benefits for each party in the form of a share of the output of the arrangement; and 10
(b) for which there is no general purpose or intention by members to make—
(i) joint or collective supplies;
(ii) supplies that are made by an agent, or by 1 of the members, on behalf of other members 15~~
- (10) Replace the definition of **person** with:
person—
(a) includes a company, an unincorporated body of persons, a public authority, and a local authority; and
(b) does not include a flow-through joint venture 20
- (11) Insert, in appropriate alphabetical order:
publish, as a requirement for the Commissioner, has the meaning set out in **section 14H** of the Tax Administration Act 1994
- (12) Replace the definition of **unincorporated body** with:
unincorporated body— 25
(a) means an unincorporated body of persons; and
(b) includes a partnership, the trustees of a trust, and an ordinary joint venture; and
(c) does not include a flow-through joint venture
- (13) **Subsection (6)** applies to supplies made on or after 1 April 2011. However, **subsection (6)** does not apply to supplies for which an assessment has been made before 30 August 2022. 30
- 109 Section 2A amended (Meaning of associated persons)**
- (1) Replace section 2A(1)(db) with:
(db) an ordinary joint venture and a member of the ordinary joint venture: 35
- (2) After section 2A(1)(db), insert:

- (dc) 2 members of an ordinary joint venture or of a flow-through joint venture when they transact in their capacity as members of the joint venture:
- (3) In section 2A(8), replace “subsection (1)(c)” with “subsection (1)(c) or (db)”.
- 110 Section 3 amended (Meaning of term financial services)**
- In section 3(2), in the definition of **participatory security**, replace “or a cheque” with “a cheque, or an interest in a flow-through joint venture”. 5
- 111 Section 5 amended (Meaning of term supply)**
- (1) ~~After section 5(15)(d), insert:~~
- (e) ~~a supply of land, to the extent to which the land has been used to make exempt supplies.~~ 10
- (2) Replace section 5(16)(a)(i) with:
- (i) claimed a deduction under section 20(3) for the goods or services, excluding non-integral deductions; or
- (3) Replace section 5(16)(a)(ii) and (iii) with:
- (ii) acquired goods or services that were zero-rated under section 11(1)(m), (mb), **(mc)**, or **(md)**; and 15
- (4) After section 5(23B), insert:
- (23C) **Subsection (23D)** applies if—
- (a) **section 11(1)(mc)** is treated as applying to a taxable supply of goods and services in a return provided by the supplier; and 20
- (b) after the date on which the supply is made, the recipient or the Commissioner finds that **section 11(1)(mc)** does not apply.
- (23D) The recipient of the supply of the goods and services referred to in **subsection (23C)** is treated as if they were a supplier making a taxable supply of the goods and services on the date on which the error referred to in **subsection (23C)(b)** is found. 25
- (23E) **Subsection (23F)** applies if—
- (a) **section 11(1)(md)** is treated as applying to a taxable supply of goods and services in a return provided by the supplier; and
- (b) after the date on which the supply is made, the supplier or the Commissioner finds that **section 11(1)(md)** does not apply; and 30
- (c) the recipient of the goods and services did not provide the supplier with correct or sufficient information under **section 78FB** to enable the supplier to determine whether the supply should be zero-rated.
- (23F) The recipient of the supply of the goods and services referred to in **subsection (23E)** is treated as if they were a supplier making a taxable supply of the goods and services on the date on which the error referred to in **subsection (23E)(b)** is found. 35

- (5) After section 5(29), insert:
- (30) Any supply of goods and services made jointly by members of a flow-through joint venture is treated as being divided into separate supplies made by each of the members.
- (6) **Subsection (1)** applies to supplies made on or after 1 April 2026. 5
- 112 Section 6 amended (Meaning of term taxable activity)**
- (1) Replace section 6(3)(e)(i) with:
- (i) the person has not previously claimed a deduction under section 20(3) for the goods before the goods are sold, excluding non-integral deductions; and 10
- (2) In section 6(3)(e)(iv), replace “or (mb)” with “; (mb), **(mc)**, or **(md)**”.
- (3) **Subsection (1)** applies to supplies made on or after 1 April 2011. However, **subsection (1)** does not apply to supplies for which an assessment has been made before 30 August 2022.
- 113 Section 10 amended (Value of supply of goods and services)** 15
- (1) In section 10(7A), replace “or section 5(16C)(b) applies” with “or if sections 5(16C)(b) or **57(2)(dd)** apply”.
- (2) In section 10(7B), replace “5(23B),” with “5(23B), (23D) or (23F),”.
- 114 Section 11 amended (Zero-rating of goods)**
- (1A) In section 11(1)(k), replace “section 11A(1)(h) or (i)” with “section 11A(1)(h), (i), or (iba)”. 20
- (1) After section 11(1)(mb), insert:
- (mc) the supply of goods and services by an unincorporated body, if the supply is—
- (i) to a registered person who acquires the goods and services with the intention of using them for making taxable supplies; and 25
- (ii) made under **section 57(2)(dd)**; or
- (md) the supply of an interest in joint venture property by a member of a flow-through joint venture to a new or existing member if, at the time of supply,— 30
- (i) both the supplier and the recipient are registered persons; and
- (ii) the recipient acquires the interest with the intention of using it for making taxable supplies; and
- (iii) the supply does not consist wholly or partly of land; or
- (2) **Subsection (1)** applies to supplies made on or after 1 April 2026. 35

- 115 Section 11A amended (Zero-rating of services)**
 In section 11A(1)(k)(ii), replace “ or (i)” with “, (i), or (iba)”.
- 116 Section 12 amended (Imposition of goods and services tax on imports)**
 In section 12(4)(e), replace “75” with “71”.
- 117 Section 15D amended (When changes in basis of taxable periods take effect)** 5
- (1) After section 15D(2), insert:
- (2BA) Despite subsection (2), the change in taxable period under subsection (1)(a) or (b) takes effect on the date of the person’s registration in the case of a registered person who applies to change the basis on which their taxable period is set before the earlier of— 10
- (a) ~~7 days after the due date of the return that corresponds with their first taxable period, being the taxable period first chosen by the taxpayer, and if the person registered under this Act in November, on or before 20 January following that registration; or~~ 15
- (b) ~~the due date of the first return that corresponds with their intended taxable period, being the taxable period they applied to change to in all other cases, within 35 days after the end of the month in which the person registered under this Act.~~ 20
- (2) In section 15D(3), replace “subsection (2)” with “subsections (2) and **(2BA)**”. 20
- 118 Section 19E amended (Definitions of types of record)**
 In section 19E(2)(a)(ii), after “the recipient”, insert “, if the recipient is a registered person and informs the supplier of that status”.
- 118B Section 19K amended (Taxable supply information: supplies by registered person)** 25
- After section 19K(8), insert:
- (8B) A recipient who is a registered person and receives a taxable supply when the consideration in money or money’s worth for the supply exceeds \$1,000 must—**
- (a) notify the supplier that they are a registered person; and 30
- (b) provide the supplier with their recipient details.
- 119 Section 19N amended (Supply correction information)**
 After section 19N(7)(c), insert:
- (d) if the supply was not zero-rated, because **section 11(1)(md)** was incorrectly applied to the supply, the date that is 7 years from the date the supply was made. 35

120 Section 20 amended (Calculation of tax payable)

(1A) After section 20(3D), insert:

(3DB) If a flow-through joint venture makes both taxable and exempt supplies, the method of apportionment applied by each member when claiming an input tax deduction on an acquisition of goods or services must be—

5

(a) the same method for all members; and

(b) agreed in writing between the members; and

(c) fair and reasonable.

(1) In section 20(3J), replace “or (mb)” with “, (mb), **(mc), or (md)**”.

(2) Replace section 20(4B) with:

10

(4B) A person who is treated under section 5(23B), **(23D), or (23F)** as a supplier of goods or services under section 11(1)(mb), **(mc), or (md)** is denied a deduction under subsection (3) in relation to the supply. However, this subsection does not apply to a person who is required to account for tax under section 5(23B), **(23D), or (23F)** who is either a registered person or later becomes a registered person and uses the relevant goods or services for making taxable supplies.

15

121 Section 20F amended (Election that sections 11A(1)(q) and (r) and 20C apply)

Replace section 20F, other than the heading, with:

20

A person may choose to apply the rules in sections 11A(1)(q) and (r) and 20C in relation to certain supplies of financial services. The person makes the election by doing either or both of the following:

(a) taking a tax position in a return for the taxable period:

(b) notifying the Commissioner before the end of the taxable period in which they first choose to apply the rules.

25

122 Section 21B amended (Adjustments when person or partnership becomes registered after acquiring goods and services)

(1) In section 21B(1)(b), replace “the goods” with “the goods or services”.

(2) Replace section 21B(5) with:

30

(5) For the purposes of determining the amount of input tax under section 3A for a supply of secondhand goods, the person is treated as if they had been a registered person at the time the goods were acquired, and the tax fraction applying is the tax fraction that would have applied at that time.

123 Section 21F amended (Treatment on disposal)

35

In section 21F(6)(a), replace “or (mb)” with “, (mb), **(mc), or (md)**”.

124 Section 51 amended (Persons making supplies in course of taxable activity to be registered)

(1) After section 51(1C), insert:

(1D) For the purposes of determining the liability of a person who is a non-resident visitor to be registered under subsection (1), the value of a supply of services to which section 11A(1)(k) applies is not included in the total value of supplies made in New Zealand by the person. 5

(2) After section 51(5B), insert:

(5C) If members of ~~an elective~~ a flow-through joint venture are jointly carrying on a taxable activity ~~and the total value of supplies made in New Zealand by the members in the course or furtherance of that taxable activity exceeds the threshold for registration in subsection (1), each member of the joint venture is liable to be registered with effect from when the threshold was exceeded.~~ each member of the joint venture is liable to be registered with effect on the date that the joint venture would have been liable to be registered under subsection (1) if it had been an ordinary joint venture. 10
15

125 Section 51B amended (Persons treated as registered)

(1) In section 51B(4), delete “either”.

(2) In section 51B(4), (5), and (6), replace “or (23B)” with “; (23B), (23D), or (23F)” in each place. 20

126 Section 55B amended (Supplier group and issuing member)

(1) In section 55B(1), replace “each supply” with “agreed taxable supplies”.

(2) In section 55B(2)(a)(i), replace “each supply” with “agreed taxable supplies”.

(3) In section 55B(2)(a)(ii), replace “by the member” with “when the members of the supplier group have agreed that the information will be provided by the issuing member”. 25

(4) **Subsections (1), (2), and (3)** apply for taxable periods starting on or after 1 April 2023.

127 Section 57 amended (Unincorporated bodies)

After section 57(2)(d), insert: 30

(dd) any goods and services forming part of the assets of a taxable activity carried on by the body are treated, in the event of cancellation of the body’s registration, as being supplied by the body to its members in the course of that taxable activity immediately before it ceases to be registered, unless the taxable activity is carried on by another person that is treated as a registered person under section 58; and 35

128 New section 57B inserted (Flow-through joint ~~venture by election~~ventures)

After section 57, insert:

57B Flow-through joint ~~venture by election~~ ventures

(1A) This section applies to ordinary joint ventures that become flow-through joint ventures.

(1) An ordinary joint venture that has not previously been registered may choose to become ~~an elective a~~ flow-through joint venture if—

(a) each member agrees in writing to become ~~an elective a~~ flow-through joint venture; and

(b) a nominated member of the joint venture notifies the Commissioner in the prescribed form within 21 days of the date of the agreement.

(2) An election under **subsection (1)** takes effect on the date of the agreement and cannot be revoked.

(2B) Despite **subsection (2)**, if the criteria in **subsection (1)** other than that specified in **paragraph (b)** are satisfied, the Commissioner may treat the joint venture as a flow-through joint venture with effect on a date the Commissioner decides.

(3) Goods or services that the ordinary joint venture acquired and that are being used by a member of the ~~elective~~ flow-through joint venture for making taxable supplies are treated as if the member acquired the goods or services for the purposes of sections 21 to 21H.

(3B) A member of a flow-through joint venture must either—

(a) keep records that are sufficient for the Commissioner to ascertain the proportions in which each member makes and receives joint venture supplies and acquisitions; or

(b) agree in writing with the other members the proportions in which each member makes and receives joint venture supplies and acquisitions.

(4) Within 21 days of any change in membership, a nominated member of an ~~elective a~~ flow-through joint venture must notify the Commissioner of—

(a) the name of any person who is no longer a member:

(b) the name and tax file number of any person who is a new member:

(c) the date that the change occurred.

(5) Special rules apply to a flow-through joint venture. These are set out as follows:

(a) **section 5(30)**, for the flow-through treatment of supplies made by the joint venture:

(b) **sections 5(23F), 11(1)(md), 19N(7)(d), 75(3BB), and 78FB**, which apply to zero-rated supplies between flow-through joint venture members:

(c) **section 20(3DB)**, if the joint venture makes both taxable and exempt supplies:

- (d) **section 51(5C)**, for the registration requirements for members of the flow-through joint venture:
- (e) **section 60(2BA)**, which treats a member of a flow-through joint venture as an agent when supplies are made to the joint venture.
- (6) **Sections 92 to 93B** set out transitional provisions as follows: 5
 - (a) **section 92** (Unincorporated bodies electing to become flow-through joint ventures):
 - (b) **section 93** (Joint ventures applying flow-through treatment before 1 April 2026):
 - (c) **section 93B** (Transitional rule to become flow-through joint venture before 1 April 2027). 10

128B Section 60 amended (Agents and auctioneers)

After section 60(2), insert:

- (2BA) When a registered person makes a taxable supply of goods and services to a member of a flow-through joint venture, if the member acquires the supply for the benefit of all members of the joint venture then, for the purposes of subsection (2), the member is treated as agent for the other members. 15

129 Section 75 amended (Keeping of records)

After section 75(3B), insert:

- (3BB) For the purposes of **section 11(1)(md)**, the supplier must maintain sufficient records to enable the following particulars in relation to the supply to be ascertained at the time of supply: 20
 - (a) the name and contact details of the recipient; and
 - (b) the registration number of the recipient; and
 - (c) a description of the goods and services; and 25
 - (d) the consideration for the supply.

130 New section 78FB inserted (Liability for supplies between members of flow-through joint ventures)

After section 78F, insert:

- 78FB Liability for supplies between members of flow-through joint ventures** 30
 - (1) This section applies to a supply to which **section 11(1)(md)** applies.
 - (2) At or before the time of supply, the recipient is required to notify the supplier whether, at the time of supply,—
 - (a) they are, or expect to be, a registered person; and
 - (b) they are acquiring the supply of the interest in joint venture property with the intention of using it for making taxable supplies. 35

- (3) For the purposes of **subsection (2)(a)**, a recipient who is a registered person, or who expects to be a registered person, must provide their registration number to the supplier at or before the time of supply.
- (4) The supplier may rely on the information provided as required by **subsection (2)** in determining the tax treatment of the supply. 5
- (5) For the purposes of section 5(2), the notice referred to in **subsection (2)** must be provided to the second person referred to in section 5(2).
- 131 Section 90 amended (Transitional regulation-making power: legislative charges)**
- In section 90(1), replace “the schedule” with “schedule 1”. 10
- 132 Section 91 amended (Certain private goods removed from tax base before 1 April 2025)**
- (1) Replace section 91(4) with:
- (4) If, after returning output tax under subsection (3), the person has claimed no deduction under section 20(3) for the goods, excluding non-integral deductions, then any future disposal of the goods is not a taxable supply. 15
- (2) Replace section 91(4) with:
- (4) Any future disposal of the goods is not a taxable supply if, after returning output tax under subsection (3), the person has not—
- (a) claimed a deduction under section 20(3) for the goods, excluding non-integral deductions; and 20
- (b) used the goods for the principal purpose of making taxable supplies.
- 133 New sections 92 to 93B, ~~93~~, and ~~94~~ inserted**
- After section 91, insert:
- 92 Unincorporated bodies electing to become flow-through joint ventures** 25
- (1) This section applies to an unincorporated body that is—
- (a) a joint venture and not a partnership; and
- (b) registered before 1 April 2026.
- (2) Despite **section 57B(1)** applying to an ordinary joint venture, the unincorporated body may, before 1 April 2027, request the Commissioner to cancel its registration and make an election to become ~~an elective-a~~ flow-through joint venture under **section 57B(1)** if— 30
- (a) each member agrees in writing to become ~~an elective-a~~ flow-through joint venture; and
- (b) the joint venture notifies the Commissioner in the prescribed form. 35

- (3) If **subsection (2)** applies, each member is liable to be registered in accordance with **section 51(5C)**. This subsection overrides the specific requirements of section 52(1) about the value of the person's taxable supplies.
- (4) Despite **section 57B(2)**, an election under **section 57B(1)** in accordance with **subsection (2)** takes effect on the date of cancellation and cannot be revoked. 5

93 Joint ventures applying flow-through treatment before 1 April 2026

- (1) **Subsection (3)** applies to a joint venture that is not a partnership if, before 1 April 2026, the following criteria are met:
- (a) the members of the joint venture have consistently adopted a tax position treating the supply and acquisition of goods and services by the joint venture as separate supplies and acquisitions made by the members; and 10
 - (b) the joint venture is not registered; and
 - (c) each member of the joint venture is registered if the ~~total value of supplies made by the joint venture in the course or furtherance of carrying on all taxable activities exceeds the threshold for registration in joint venture would have been liable to have been registered under section 51(1).~~ 15
- (2) ~~For a joint venture that is not an output sharing joint venture, in~~ In addition to the criteria set out in **subsection (1)**, **subsection (3)** applies only if the joint venture chooses to become ~~an elective~~ a flow-through joint venture under **section 57B(1)** before 1 April 2027. ~~Despite section 57B(2), such~~ Such an election takes effect on 1 April 2026 and cannot be revoked. 20
- (2B) If the joint venture does not notify the Commissioner as required by **subsection (2)**, but otherwise fulfils the criteria in **subsection (1)**, the Commissioner may treat the joint venture as a flow-through joint venture with effect on a date the Commissioner determines. 25
- (3) For taxable periods starting before 1 April 2026, the joint venture is not treated as a person under section 2(1), and section 57 does not apply to the joint venture. 30

93B Transitional rule to become flow-through joint venture before 1 April 2027

- (1) An ordinary joint venture that has not previously been registered may choose to become a flow-through joint venture under **section 57B(1)** if—
- (a) each member agrees in writing to become a flow-through joint venture; and 35
 - (b) a nominated member of the joint venture notifies the Commissioner in the prescribed form before 1 April 2027.
- (2) An election made under **section 57B(1)** takes effect on 1 April 2026, or a later date notified by the joint venture, and cannot be revoked.

- (3) If the joint venture does not notify the Commissioner as required by **subsection (1)(b)**, but otherwise fulfils the criteria in **subsection (1)**, the Commissioner may treat the joint venture as a flow-through joint venture with effect on a date the Commissioner determines.
- (4) The time frames set out in **section 57B(1)(b) and (2)** do not apply for the purposes of this section. 5
- 94 Transitional rule for elective flow-through joint ventures**
- (1) ~~An ordinary joint venture that has not previously been registered may, before 1 April 2027, choose to become an elective flow through joint venture under **section 57B(1)** if—~~ 10
- (a) ~~each member agrees in writing to become an elective flow through joint venture; and~~
- (b) ~~the joint venture notifies the Commissioner in the prescribed form.~~
- (2) ~~The timeframes set out in **section 57B(1)(b) and (2)** do not apply for the purposes of this section.~~ 15
- (3) ~~An election under **section 57B(1)** takes effect on 1 April 2026, or a later date notified by the joint venture, and cannot be revoked.~~
- 134 Consequential amendments to Goods and Services Tax Act 1985 to clarify Commissioner’s requirement to publish**
- The Goods and Services Tax Act 1985 is amended as set out in **schedule 2, part A.** 20

Part 4

Amendments to Tax Administration Act 1994

- 135 Amendments to Tax Administration Act 1994**
- This Part amends the Tax Administration Act 1994. 25
- 136 Section 3 amended (Interpretation)**
- (1) This section amends section 3(1).
- (2) In the definition of **government agency**, after paragraph (b), insert:
- (c) is defined in **section 18HB** for the purposes of that section
- (3) Repeal the definitions of **nil value distribution**, **nil value settlement**, **non-cash distribution**, and **non-cash settlement.** 30
- (4) Replace the definition of **personal information** with:
- personal information—**
- (a) is defined in **schedule 7, part A, clause 6** for the purposes of that clause: 35

- (b) is defined in schedule 7, part C, subpart 2, clause 45(7) for the purposes of that clause
- (5) Insert, in appropriate alphabetical order:
publish, as a requirement for the Commissioner, has the meaning set out in **section 14H** 5
- (6) In the definition of **tax**, paragraph (a)(xii), delete “is”.
- (7) Insert, in appropriate alphabetical order:
updated information is defined in **schedule 7, part A, clause 6** for the purposes of that clause
- (8) **Subsection (3)** applies for the 2026–27 and later income years. 10
- 137 Section 14 amended (Modes of communication: general provisions)**
After section 14(4), insert:
- (5) **Section 14H** sets out the requirements to be satisfied for the Commissioner to publish information.
- 138 New cross-heading and section 14H inserted** 15
After section 14G, insert:
- Publishing***
- 14H Publishing**
- (1) This section applies for the purposes of this Act, the Income Tax Act 2007, and the Goods and Services Tax Act 1985, unless the context requires otherwise. 20
- (2) A requirement in these Acts for the Commissioner to publish means the Commissioner must make the information accessible and available to the public, including by providing the information on an internet site maintained by or on behalf of the Inland Revenue Department.
- 139 Section 17C amended (Commissioner’s powers in relation to documents)** 25
In section 17C(1), delete “17GB,”.
- 140 Section 17E amended (Information or documents treated as in persons’ knowledge, possession or control)**
- (1) In section 17E(1), delete “17GB(1),”.
- (2) In section 17E(2), delete “, 17GB(1),”.
- 141 Section 17GB repealed (Commissioner may require information or production of documents for tax policy development)**
Repeal section 17GB.

142 Section 17H amended (Court may make order for provision of information)

In section 17H(1), delete “or 17GB”.

143 New section 18HB inserted (Regular disclosure to government agency)

After section 18H, insert:

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18HB Regular disclosure to government agency

- (1) Despite section 18, the Commissioner may disclose sensitive revenue information on an ongoing basis to the chief executive of a government agency to assist the agency in carrying out 1 or more of the following functions:
- (a) determining entitlement to, or eligibility for, government assistance: 10
- (b) the detection, investigation, prosecution, or punishment of suspected or committed crimes punishable by terms of imprisonment of 2 years or more:
- (c) removing the financial benefit of crime.
- (2) A disclosure to the government agency must be in accordance with a written agreement entered into by— 15
- (a) the Minister of Revenue; and
- (b) the Minister responsible for the government agency.
- (3) Before entering a written agreement under this section, or varying any such agreement, the Ministers must— 20
- (a) be satisfied that—
- (ia) the information is readily available to Inland Revenue; and
- (i) the disclosure is reasonable and ~~practical~~practicable; and
- (ii) the disclosure will not undermine the integrity of the tax system; and 25
- (iii) the disclosure will support the maintenance of voluntary compliance; and
- (iv) ~~adequate~~reasonable safeguards exist to protect the privacy of individuals and the commercial confidentiality of information, including sufficient compliance and audit requirements for the use, disclosure, and ~~retention~~storage of the information; and 30
- (v) appropriate procedures for the disclosure and retention are included in the agreement; and
- (b) consult the Privacy Commissioner and consider any comments received.
- (4) A written agreement must specify— 35
- (a) the type or class of information to be disclosed; and
- (b) the purpose for which the information is disclosed; and

- (c) the function being carried out by the government agency for which the information is required; and
- (d) how the information will assist with the carrying out of that function; and
- (e) the form or manner in which the information is to be disclosed; and 5
- (f) the positions or designations of the persons in the government agency to whom the information may be disclosed; and
- (g) the safeguards for protecting personal or commercially sensitive information; and
- (h) the requirements for storage and disposal of the information; and 10
- (i) the circumstances, if any, in which the information may be disclosed by the agency to another agency, and how that disclosure may be made; and
- (j) the requirements for reviewing the agreement.
- (5) Information obtained by compulsion under section 17I or 17J cannot be disclosed under an agreement made under this section. 15
- (6) The Commissioner must publish on an internet site maintained by or on behalf of the Inland Revenue Department the following information in relation to each agreement made under this section:
 - (a) the name of the agreement; and
 - (b) the parties to the agreement; and 20
 - (c) the purpose of the information disclosure; and
 - (d) the classes of information to be disclosed; and
 - (e) the intended use of the information by the government agency.
- (7) The Commissioner must publish, in the department’s annual report, information on the ongoing performance of the agreement. 25
- (8) After an agreement under this section has been entered into, the Privacy Commissioner may raise any concerns about the agreement or its operation directly with—
 - (a) the Minister of Revenue;
 - (b) the Minister responsible for the government agency that is a party to the agreement. 30
- (9) In this section, **government agency** means—
 - (a) a department named in Part 1 of Schedule 2 of the Public Service Act 2020;
 - (b) the New Zealand Police; 35
 - (c) the Accident Compensation Corporation;
 - (d) Kāinga Ora—Homes and Communities;
 - (e) Health New Zealand:

(f)	New Zealand Transport Agency:	
(g)	National Emergency Management Agency:	
(h)	Ministry for Ethnic Communities:	
(i)	Office of the Privacy Commissioner.	
144	Section 20 amended (Privilege for confidential communications between legal practitioners and their clients)	5
(1)	In section 20(1), replace “17GB to 17I” with “17H, 17I”.	
(2)	In section 20(4), replace “17GB to 17I” with “17H, 17I”.	
145	Section 20B amended (No requirement to disclose tax advice document)	
	In section 20B(1), replace “17E and 17GB to 17I” with “17E, 17H and 17I”.	10
146	Section 20D amended (Claim that document is tax advice document)	
	In section 20D(4)(b), delete “or 17GB”.	
147	Section 20F amended (Person must disclose tax contextual information from tax advice document)	
	In section 20F(2)(b), delete “or 17GB”.	15
148	Section 22C amended (Outline of subpart)	
	In section 22C(3)(b), replace “family assistance credits” with “the family scheme”.	
149	Section 32M amended (Persons with approved issuer status)	
(1)	In section 32M(1B), replace “is eligible to elect to pay approved issuer levy in relation to a security” with “may apply to the Commissioner to have approved issuer status”.	20
(2)	In section 32M(1B), replace “may apply to the Commissioner to have approved issuer status” with “is eligible to elect to pay approved issuer levy in relation to a security”.	25
(3)	In section 32M(2), replace “subsection (1)” with “subsections (1) and (1B) ”.	
150	Section 41A amended (Returns in relation to charitable or other public benefit gifts)	
(1)	Repeal section 41A(3) and (4).	
(2)	In section 41A(9), replace “subsections (2) and (3)” with “section LD 1 of that Act”.	30
(3)	Replace section 41A(13) with:	
(13)	A refund under subsection (1) is recoverable as an excess tax credit under section 142D to the extent to which—	

<p>(a) it is more than the correct amount of refund; or</p> <p>(b) the charitable or other public benefit gift to which the refund relates has subsequently been returned to the person who made the gift or an associated person.</p>	
<p>(13B) <u>Despite subsection (6B), the time bar in section 108 does not apply to a refund to which subsection (13)(b) applies.</u></p>	5
<p>(4) Subsection (3) applies to gifts returned on or after <u>26 August 2025</u>the date of introduction of the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill.</p>	
<p>151 Section 42 amended (Returns by joint venturers, partners, and partnerships)</p>	10
<p>(1) After section 42(3)(e), insert:</p> <p style="padding-left: 20px;">(eb) a partner cannot make an election under paragraph (e) for an income year if the partnership has a research and development tax credit under section LY 4 of the Income Tax Act 2007 for the corresponding tax year.</p>	15
<p>(2) Subsection (1) applies for the 2019–20 and later income years.</p>	
<p>152 Section 59BA repealed (Annual return for trusts)</p>	
<p>(1) Repeal section 59BA.</p> <p>(2) Subsection (1) applies for the 2026–27 and later income years.</p>	
<p>153 Section 59BAB repealed (Commissioner may require trust information for period after 2013–14 income year)</p>	20
<p>(1) Repeal section 59BAB.</p> <p>(2) Subsection (1) applies for the 2026–27 and later income years.</p>	
<p>154 Section 68CB amended (Research and development tax credits: general approval)</p>	25
<p>(1) Replace section 68CB(2) with:</p> <p>(2) The Commissioner may, in accordance with this section, approve a person’s research and development activities for 1 or more of the following:</p> <p style="padding-left: 20px;">(a) the income year to which the application relates (the first income year):</p> <p style="padding-left: 20px;">(b) up to 2 income years immediately following the first income year:</p> <p style="padding-left: 20px;">(c) the income year immediately before the first income year, but only to the extent the activity is a supporting research and development activity described in section LY 5(1)(ab)(i) of the Income Tax Act 2007.</p>	30
<p>(2B) The person must apply in accordance with subsection (3) on or before the last day of the third month after the end of the first income year. However, if the person has a balance date of 30 September, the application must be made on or before 15 January following the end of the first income year.</p>	35

- (2) Replace section 68CB(7) and (7B) with:
- (7) The Commissioner may vary an approval, upon application, if—
- (a) the variation application meets the requirements in subsection (1)(a); and
 - (b) the variation applied for meets the requirements of subsection (4); and
 - (c) the application is made on or before the last day of the third month after the end of the relevant income year, except if the person has a balance date of 30 September, in which case the application must be made on or before 15 January following the end of the relevant income year. 5
- (7B) The Commissioner may vary an approval, upon application, to the extent to which the variation application relates solely to a supporting research and development activity for the income year immediately following the relevant income year, as provided by section LY 5(1)(ab)(ii) of the Income Tax Act 2007, if— 10
- (a) the variation application meets the requirements in subsection (1)(a); and
 - (b) the variation applied for meets the requirements of subsection (4); and 15
 - (c) the application is made on or before the last day of the 15th month after the end of the relevant income year, except if the person has a balance date of 30 September, in which case the application must be made on or before 15 January of the second income year following the relevant income year. 20
- (7BB) If the Commissioner accepts the variation under **subsection (7) or (7B)**, the Commissioner must notify the person in accordance with subsection (5).
- 155 Section 75 amended (Notification of amalgamation to Commissioner)**
- Repeal section 75(b).
- 156 Section 79 amended (Other annual returns)** 25
- (1) In section 79, delete “59BA,”.
 - (2) **Subsection (1)** applies for the 2026–27 and later income years.
- 157 Section 80 amended (Commissioner may require other returns to be made)**
- (1) In section 80, delete “59BA,”.
 - (2) **Subsection (1)** applies for the 2026–27 and later income years. 30
- 158 New section 90B inserted (Determination on interest for employment-related loans)**
- After section 90A, insert:
- 90B Determination on interest for employment-related loans**
- (1) The Commissioner may, from time to time, determine the rate of interest applying to employment-related loans. 35

- (2) When a determination is made under **subsection (1)**, the rate of interest is to be set at the Reserve Bank of New Zealand floating first mortgage new customer housing interest rate.
- (3) When a determination is made under **subsection (1)**, it applies to quarters starting from a date at least 1 month after the date the determination is made. A determination that reduces the rate of interest from the rate that applies at the time may apply for a quarter if made at least 1 month before that quarter ends. 5
- (4) A determination under this section is secondary legislation (*see* Part 3 of the Legislation Act 2019 for publication requirements).

159 Cross-heading above section 91AAO amended 10

In the cross-heading above section 91AAO, delete “*using fair dividend rate method*”.

160 New section 91AAP inserted (Determination on deemed rate of return)

After section 91AAO, insert:

91AAP Determination on deemed rate of return 15

- (1) For the purposes of **section EX 55** of the Income Tax Act 2007 and for an income year, the Commissioner must determine the deemed rate of return used to calculate FIF income or loss under the deemed rate of return method.
- (2) The rate is to be set at the 5-year government stock rate for the income year plus 400 basis points. 20
- (3) For the purposes of **subsection (2)**, the 5-year government stock rate is calculated as the average of the rates on 30 June, 30 September, 31 December, and 31 March in the income year. If a rate is not available on 1 of those dates, the rate on the first day a rate is available after that date is to be used in the calculation for that date. 25
- (4) A determination under this section is secondary legislation (*see* Part 3 of the Legislation Act 2019 for publication requirements).

161 Section 91EL amended (Applying for short-process ruling)

After section 91EL(4)(d), insert:

- (e) if the person applying is a non-resident,— 30
- (i) the reference to annual gross income is treated as a reference to the person’s income, including any non-residents’ foreign-sourced income, and excluding any exempt or excluded income:
- (ii) the reference to the tax year is treated as a reference to the person’s most recently completed financial year. 35

162 Section 120C amended (Definitions)

In section 120C(1), in the definitions of **Commissioner’s paying rate** and **taxpayer’s paying rate**, replace “established and notified” with “set” and replace “an Order in Council” with “a determination”.

163 Section 120H replaced (Setting and varying interest rates)

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Replace section 120H with:

120H Setting and varying interest rates

- (1) The Commissioner may, from time to time, determine the Commissioner’s paying rate and taxpayer’s paying rate.
- (2) When a determination is made under **subsection (1)**, the Commissioner’s paying rate is to be set at the higher of—
 - (a) the Reserve Bank of New Zealand 90-day bank bill rate less 100 basis points; and
 - (b) 0%.
- (3) When a determination is made under **subsection (1)**, the taxpayer’s paying rate is to be set at the Reserve Bank of New Zealand floating first mortgage new customer housing rate plus 250 basis points.
- (3B) When a determination is made under **subsection (1)**, it applies from the next applicable instalment date for a person with a standard balance date set out in schedule 3, part A, column B, D, or F of the Income Tax Act 2007 that is at least 1 month after the date the determination is made.
- (4) A determination under this section is secondary legislation (*see* Part 3 of the Legislation Act 2019 for publication requirements).

164 Section 120OB amended (Variation to definitions for determining interest chargeable or payable to PAYE intermediaries)

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In section 120OB(2), in the definitions of **Commissioner’s paying rate** and **taxpayer’s paying rate**, replace “established and notified” with “set” and replace “an Order in Council” with “a determination”.

164B New section 120PB inserted (Suspended recognition of income on deemed disposal of RAM interest)

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After section 120PA, insert:

120PB Suspended recognition of income on deemed disposal of RAM interest

- (1) This section applies if—
 - (a) a person has an amount of FIF income or loss under **section EX 56B(3)** of the Income Tax Act 2007 for an income year (the **departure year**) that arises because—

35

- (i) the person is treated as having disposed of an attributing interest in a FIF under **section EX 56B(11B)** of that Act; and
 - (ii) the person actually disposes of the interest within the period set out in **section EX 56B(13)** of that Act; and
 - (b) the disposal referred to in **paragraph (a)(ii)** takes place in an income year (the **disposal year**) that is later than the departure year.
- (2) To the extent the actual disposal of the attributing interest alters the person’s liability to tax for the departure year (the extent of that altered liability being called the **affected tax**), no interest is payable to the Commissioner under this Part on the affected tax to the extent to which it is unpaid tax before the person’s terminal tax date for the disposal year.

165 Section 138E amended (Certain rights of challenge not conferred)

In section 138E(1)(e)(iii), replace “and RM 10” with “RM 10, and RP 17B(13)”.

165B New section 139BB inserted (Imposition of late payment penalty when suspended recognition of income for RAM interest)

After section 139BA, insert:

139BB Imposition of late payment penalty when suspended recognition of income for RAM interest

- (1) This section applies if—
 - (a) a person has an amount of FIF income or loss under **section EX 56B(3)** of the Income Tax Act 2007 for an income year (the **departure year**) that arises because—
 - (i) the person is treated as having disposed of an attributing interest in a FIF under **section EX 56B(11B)** of that Act; and
 - (ii) the person actually disposes of the interest within the period set out in **section EX 56B(13)** of that Act; and
 - (b) the disposal referred to in **paragraph (a)(ii)** takes place in an income year (the **disposal year**) that is later than the departure year.
- (2) For the purposes of section 139B, to the extent the actual disposal of the attributing interest alters the person’s liability to tax for the departure year (the extent of that altered liability being called the **affected tax**), the default date for the affected tax is the person’s terminal tax date for the disposal year.

166 Section 226E amended (Application of changes to CRS standard)

Repeal section 226E(3).

- 167 Section 227H repealed (Transitional provision relating to annual return for trusts)**
- (1) Repeal section 227H.
 - (2) **Subsection (1)** applies for the 2026–27 and later income years.
- 168 New section 227I inserted (Transitional provision relating to interest rates)** 5
After section 227H, insert:
- 227I Transitional provision relating to interest rates**
- (1) This section applies for the period commencing on the date the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Act **2025** comes into force and ending on the day before the date the rates set by the Commissioner by a determination made under **section 120H** first apply. 10
 - (2) For the purposes of **sections 120C(1) and 120OB(2)** and **section RC 38(4)** of the Income Tax Act 2007, the Commissioner’s paying rate and the taxpayer’s paying rate are the rates applying under the Taxation (Use of Money Interest Rate) Regulations 1998 immediately before their revocation by the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Act **2025**. 15
- 169 Schedule 7 amended (Disclosure rules)**
- (1) In schedule 7, part A, replace clause 6, other than the heading, with: 20
 - (1) Despite section 18, the Commissioner may disclose to an authorised person, as defined in section 98(1) of the Criminal Proceeds (Recovery) Act 2009, either or both of the following:
 - (a) information about a person (**person A**) for the purpose specified in section 98(2)(b)(i) of that Act: 25
 - (b) updated information for the purposes of ensuring the information disclosed under **paragraph (a)** remains accurate and up to date.
 - (2) In this clause, **updated information** means information that—
 - (a) relates to the information previously disclosed under **subclause (1)(a)**; and 30
 - (b) is readily available to the Commissioner; and
 - (c) does not include information about any person not referred to in the disclosure under **subclause (1)(a)**, unless—
 - (i) that person is person A’s employer or financial services provider; and 35
 - (ii) the Commissioner has previously disclosed information related to person A’s employment or financial services provider relationship; and

- (iii) the information is personal information.
- (3) In this clause, **personal information** means the following information about a person:
- (a) information that identifies the person:
 - (b) their date of birth (if applicable):
 - (c) their contact details.
- (1B) In Schedule 7, part C, clause 23B(6), repeal paragraph (e).
- (1C) In Schedule 7, part C, clause 38,—
- (a) in subclause (1), delete “of Callaghan Innovation.”; and
 - (b) replace subclause (2) with:
- (2) Section 18 does not prevent the Commissioner communicating to an officer, employee or agent of the Ministry of Business, Innovation, and Employment information reasonably necessary for that person to perform their work in relation to the offer of research and development advice and incentives, including tax incentives, grants, loans, and any related measures aimed at incentivising research and development.
- (c) in subclause (3), replace “Callaghan Innovation” with “the Ministry of Business, Innovation, and Employment”.
- (2) Replace schedule 7, part C, clause 43(5)(a) with:
- (a) the last known contact details of the fines defaulter, including postal and email addresses, telephone number, and any other information that may be used to contact the fines defaulter; and
- (3) Repeal schedule 7, part C, clause 43(5)(b).
- 169B** Schedule 8 amended (Reporting of income information by individuals and treatment of certain amounts)
- (1) In Schedule 8, part B, clause 2(3)(d), replace “48,000” with “53,500”.
- (2) In Schedule 8, part B, clause 2(4), replace paragraph (d) with:
- (d) 0.330, if the individual’s annual gross income is more than \$70,000 and not more than \$180,000; or
 - (e) 0.390, if the individual’s annual gross income is more than \$180,000.
- (3) Subsection (2) applies for the 2021–22 and later income years.
- 170** **Consequential amendments to Tax Administration Act 1994 related to repeal of sections in subpart RM of Income Tax Act 2007**
- The Tax Administration Act 1994 is amended as set out in **schedule 1, part B.**

- 171 Consequential amendments to Tax Administration Act 1994 to clarify Commissioner’s requirement to publish**
The Tax Administration Act 1994 is amended as set out in **schedule 2, part B**.

Part 5

5

Amendments to other enactments and revocations

Amendments to KiwiSaver Act 2006

- 172 Amendments to KiwiSaver Act 2006**
Sections 173 to 175 amend the KiwiSaver Act 2006.
- 173 Section 4 amended (Interpretation)** 10
In section 4(1), insert, in appropriate alphabetical order:
compulsory employer contribution means, for an employee, the amount of employer contribution calculated under section 101D
- 174 Section 101A amended (General)**
In section 101A(1), replace “an amount of employer contribution (a **compulsory employer contribution**) calculated under section 101D” with “a compulsory employer contribution”. 15
- 175 Schedule 1 amended (KiwiSaver scheme rules)**
- (1) In schedule 1, clause 4(2), replace “Subject to subclauses (4) to (6), a” with “A”. 20
- (2) In schedule 1, repeal clause 4(4) to (6).

Amendments to Unclaimed Money Act 1971

- 176 Amendments to Unclaimed Money Act 1971**
Sections 177 to 179 amend the Unclaimed Money Act 1971.
- 177 Section 2 amended (Interpretation)** 25
In section 2, insert, in appropriate alphabetical order:
tax file number has the same meaning as in section YA 1 of the Income Tax Act 2007
- 178 Section 5B amended (Obligations of holders)**
- (1) After section 5B(2)(a), insert: 30
- (aa) the full name, date of birth, and tax file number of the owner:
- (ab) the address and contact details of the owner:

- (2) In section 5B(2)(b), delete “identity and”.
- (3) After section 5B(2)(c), insert:
 - (d) where applicable, the number of the account where the money is held, the date the account was opened, and the date of the owner’s last interaction with the account. 5

179 Section 11 amended (Commissioner may make payment to claimant)

In section 11(6)(a), replace “25” with “20”.

Amendments to Student Loan Scheme Act 2011

180A Amendments to Student Loan Scheme Act 2011

Sections 180 and 180B amend the Student Loan Scheme Act 2011. 10

180 Schedule 1 amended (Conditions to borrower being treated as physically in New Zealand) ~~Amendment to Student Loan Scheme Act 2011~~

- (1) ~~This section amends the Student Loan Scheme Act 2011.~~
- (2) In schedule 1, clauses 7(2), 8(1)(a)(iii), and 9(a)(iii), replace “New Zealand Register of Quality Assured Qualifications” with “New Zealand Qualifications and Credentials Framework”. 15

180B Schedule 3 amended (Adjustments to net income for purposes of section 73, applying from 1 April 2014 for 2014–2015 and later tax years)

In schedule 3, clause 5, before paragraph (a), insert:

- (aa) an amount of income derived by a non-resident visitor from performing personal or professional services in New Zealand that is exempt income under **section CW 22B** of the Act: 20
- (aab) an amount of income derived by a non-resident that has a source in New Zealand under section YD 4(2) or (3) of the Act that is exempt income under **section CW 22C** of the Act: 25

Amendment to Child Support Act 1991

181 Amendment to Child Support Act 1991

- (1) This section amends the Child Support Act 1991.
- (2) In section 180(1), delete “written” and “signed by the payee”.
- (3) In section 180(2)(a), replace “beneficiary)” with “beneficiary”. 30
- (4) In section 180(3), delete “under subsection (1)”.
- (5) After ~~section 180(4) subsection (4)~~, insert:
- (5) A notice of election under subsection (1) must be given using an approved form or in another way approved by the Commissioner.

*Amendment to Criminal Proceeds (Recovery) Act 2009***182 Amendment to Criminal Proceeds (Recovery) Act 2009**

- (1) This section amends the Criminal Proceeds (Recovery) Act 2009.
- (2) Replace section 98(2)(b) with:

- (b) an authorised person referred to in paragraph (a) of the definition of authorised person in subsection (1) from disclosing information permitted to be disclosed by **Schedule 7, part A, clause 6** of the Tax Administration Act 1994 about a person whose name is supplied under paragraph (a) of this subsection to an authorised person referred to in paragraph (b) of that definition who requires the information for the purposes of—
- (i) establishing whether a prima facie case exists for taking civil recovery action under this Act; or
- (ii) ensuring the information disclosed under **subparagraph (i)** remains accurate and up to date.

*Amendments to Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023***182B Amendments to Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023**

Sections 182C and 182D amend the Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023. 20

182C Section 2 amended (Commencement)

Repeal section 2(40).

182D Section 119 amended (Schedule 32 amended (Recipients of charitable or other public benefit gifts))

Repeal section 119(3). 25

*Amendments to Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act 2025***183 Amendments to Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act 2025**

Sections 184 to 186 amend the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act 2025. 30

184 Section 2 amended (Commencement)

In section 2(36), delete “(58),”.

185 Section 196 amended (New cross-heading and section 185U inserted)

In section 196, after new section 185U(4)(g), insert:

- (h) despite Section IV, paragraph F, subparagraph 1, the term “Partner Jurisdiction” means any jurisdiction, other than New Zealand, that has put in place equivalent legal requirements and that is included in a list published by New Zealand.

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186 Section 205 amended (Section 3A amended (Meaning of input tax))

In section 205(3), replace “to goods acquired by a person on and after 30 March 2022” with “to taxable periods starting on or after 30 March 2022”.

Amendment to Taxation (Budget Measures) Act 2025

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187 Amendment to Taxation (Budget Measures) Act 2025

- (1) This section amends the Taxation (Budget Measures) Act 2025.
- (2) In section 22(1), new section 101D(4)(a), replace “subpart 3B and” with “subpart 3B or, if the employee is a member of a complying superannuation fund, the employee has a contribution rate of 3% in accordance with **clause 7 of schedule 28** of the Income Tax Act 2007 and, in either case,”.

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Amendment to Māori Fisheries Amendment Act 2024

187B Amendment to Māori Fisheries Amendment Act 2024

- (1) This section amends the Māori Fisheries Amendment Act 2024.
- (2) In Schedule 2, new Part 2 inserted into Schedule 1AA, replace clause 7, other than the heading, with:

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Ordinary shares transferred from Te Ohu Kai Moana Trustee Limited

- (1) **Subclause (2)** applies to ordinary shares that—
- (a) were income shares held by Te Ohu Kai Moana Trustee Limited; and
- (b) become ordinary shares under clause 2; and
- (c) a transferee receives under a transfer under clause 3(3)(a) or (b).
- (2) For the purposes of the continuity provisions defined in section YA 1 of the Income Tax Act 2007 (the **continuity provisions**), the transferee must be taken, on and after the date of the transfer, to have held the ordinary shares without interruption since the date Te Ohu Kai Moana Trustee Limited acquired the income shares.

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Ordinary shares that were income shares

- (3) **Subclause (4)** applies to ordinary shares that—
- (a) were income shares held by a holder other than Te Ohu Kai Moana Trustee Limited; and
- (b) become ordinary shares under clause 2.

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(4) For the purposes of the continuity provisions, the holder must be taken, on and after the date the income shares become ordinary shares, to have held the ordinary shares without interruption since the date the holder acquired the income shares.

Cancelled voting shares

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(5) **Subclause (6)** applies to the voting shares held by Te Ohu Kai Moana Trustee Limited that are cancelled under clause 2(1).

(6) For the purposes of the continuity provisions, the holders of the ordinary shares referred to in **subclause (3)** must be taken, on and after the date of cancellation of the voting shares, to have held the voting shares without interruption from the date Te Ohu Kai Moana Trustee Limited acquired the shares until the date of cancellation, with each being allocated a proportion of the voting shares the same as the proportion they hold of the total number of ordinary shares.

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*Amendments to Tax Administration (Financial Statements—Domestic
Trusts) Order 2022*

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**188 Amendments to Tax Administration (Financial Statements—Domestic
Trusts) Order 2022**

Sections 189 to 191 amend the Tax Administration (Financial Statements—Domestic Trusts) Order 2022.

189 Clause 3 amended (Interpretation)

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(1) In clause 3(1), insert, in appropriate alphabetical order:

debt funding special purpose vehicle has the meaning given to it by section YA 1 of the Income Tax Act 2007

exempt ESS has the meaning given to it by section YA 1 of the Income Tax Act 2007

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foreign trust has the meaning given to it by section YA 1 of the Income Tax Act 2007

lines trust has the meaning given to it by section YA 1 of the Income Tax Act 2007

Maori authority has the meaning given to it by section YA 1 of the Income Tax Act 2007

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tax charity has the meaning given to it by section YA 1 of the Income Tax Act 2007

widely-held superannuation fund has the meaning given to it by section YA 1 of the Income Tax Act 2007.

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(2) **Subsection (1)** applies for the 2026–27 and later income years.

190 Clause 4 amended (Application)

(1) Replace clause 4, other than the heading, with:

4 This order applies to a trustee of a trust who is required to file a return, unless—

- (a) the trustee is excluded from the requirement to make a return by section 43B of the Act: 5
- (b) the trust is a foreign trust:
- (c) the trust is a foreign exemption trust:
- (d) the trustees of the trust are incorporated as a board under the Charitable Trusts Act 1957: 10
- (e) the trust is a tax charity registered under the Charities Act 2005:
- (f) the trustee is eligible under section HF 2 of the Income Tax Act 2007 to choose under section HF 11 of that Act to become a Maori authority:
- (g) the trust is a widely-held superannuation fund:
- (h) the trust is an exempt ESS: 15
- (i) the trustee is a debt funding special purpose vehicle:
- (j) the trustee is a lines trust established under the Energy Companies Act 1992.

(2) **Subsection (1)** applies for the 2026–27 and later income years.

191 Clause 5 amended (Minimum requirements for preparing financial statements) 20

(1) In clause 5(2)(a), delete “under section 59BA of the Act”.

(2) **Subsection (1)** applies for the 2026–27 and later income years.

**Amendment to Tax Administration (Correction of Errors in Employment
Income Information) Regulations 2019** 25

**191B Amendment to Tax Administration (Correction of Errors in Employment
Income Information) Regulations 2019**

(1) This section amends the Tax Administration (Correction of Errors in Employment Income Information) Regulations 2019.

(2) In regulation 4(10), replace “in accordance with subclause (2)(a) or (b)” with “in accordance with a method referred to in subclause (2)(a) or (b)”. 30

Revocations

192 Revocations

The following regulations are revoked:

- (a) Income Tax (Fringe Benefit Tax, Interest on Loans) Regulations 1995 (SR 1995/41):
- (b) Taxation (Use of Money Interest Rates Setting Process) Regulations 1997 (SR 1997/7):
- (c) Taxation (Use of Money Interest Rates) Regulations 1998 (SR 5 1998/105).

Schedule 1
Consequential amendments related to repeal of sections in
subpart RM of Income Tax Act 2007

ss 106, 170

Part A
Amendments to Income Tax Act 2007

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Section CD 40 amended (Adjustment if dividend recovered by company)

In section CD 40(4), replace “RM 2 to RM 5” with “RM 2 and RM 4” and delete “and RM 18 to RM 21 (which relate to limits on refunds), but subject to the other provisions of this Act”.

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Section CD 41 amended (Adjustment if amount repaid later)

In the heading to section CD 41(5), replace “*RM 2 to RM 5*” with “*RM 2 and RM 4*”.
In section CD 41(5), replace “RM 2 to RM 5” with “RM 2 and RM 4”.

Section OB 71 amended (Imputation additional tax on leaving group of companies)

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In section OB 71(5), replace “sections RM 2, RM 4, and RM 5” with “section RM 2 or RM 4”.

Section OB 72 amended (Imputation additional tax on joining wholly-owned group)

In section OB 72(6), replace “sections RM 2, RM 4, and RM 5” with “section RM 2 or RM 4”.

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Section OB 72B amended (Limit on using entitlement to refund after joining wholly-owned group)

In section OB 72B(3)(a)(ii) replace “sections RM 2, RM 4, and RM 5” with “section RM 2 or RM 4”.

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In section OB 72B(6) replace “sections RM 2, RM 4, and RM 5” with “section RM 2 or RM 4”.

Section OP 6 amended (Provisions applying to consolidated imputation groups)

In section OP 6(7), replace “, RM 4, or RM 5” with “or RM 4”.

Section RM 10 amended (Using refund to satisfy tax liability)

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In section RM 10(1), replace “sections RM 2, RM 4, and RM 5” with “section RM 2 or RM 4”.

Section RM 13 amended (Limits on refunds for ICA companies)

In section RM 13(1)(a), replace “sections RM 2, RM 4, and RM 5” with “section RM 2 or RM 4”.

Section RM 17 amended (Treatment of further income tax paid)

In section RM 17(1), replace “, RM 4, and RM 5” with “and RM 4”.

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Section RM 22 amended (Limits on refunds for Maori authorities)

In section RM 22(1), replace “sections RM 2, RM 4, and RM 5” with “section RM 2 or RM 4”.

Section RM 23 amended (Limits on refunds when Maori authority stops being Maori authority)

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In section RM 23(1), replace “, RM 4, or RM 5” with “or RM 4”.

Section RM 26 amended (Treatment of further income tax paid)

In section RM 26(1), replace “, RM 4, and RM 5” with “and RM 4”.

Section RM 33 amended (Limits on refunds for certain unit trusts and group investment funds)

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In section RM 33(1)(a), replace “, RM 4, or RM 5” with “or RM 4”.

Schedule 1 amended (Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits)

In schedule 1, part E, delete “RM 21,”.

Part B

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Amendments to Tax Administration Act 1994**Section 184 amended (Refund of tax paid on income subsequently exempted by Order in Council)**

In section 184, delete “RM 5,”.

Section 184AA amended (Refund of tax: deductible amounts of interest)

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In section 184AA(3)(a), replace “RM 2 to RM 6” with “RM 2 and RM 4”.

Schedule 2
**Consequential amendments to clarify Commissioner’s requirements
to publish**

ss 134, 171

Part A

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Amendments to Goods and Services Tax Act 1985

Section 20 amended (Calculation of tax payable)

In section 20(3CG)(c), replace “available to them in a publication by the Commissioner” with “published by the Commissioner ~~and is available to them~~”.

Section 21 amended (Adjustments for apportioned supplies)

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In section 21(4B)(c), delete “in that publication”.

Section 75 amended (Keeping of records)

In section 75(7)(d), replace “give public” with “publish” and delete “, in a publication chosen by the Commissioner”.

Part B

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Amendments to Tax Administration Act 1994

Section 7AAAA amended (Administration of final-year fees-free scheme)

In section 7AAAA(3), delete “, on an internet site administered by the Commissioner,”.

Section 7AAA amended (Administration of cost of living payments scheme)

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In section 7AAA(3), delete “, on an internet site administered by the Commissioner,”.

Section 7AAB amended (Authorisation to make COVID-19 support payments)

In section 7AAB(3)(c), delete “, on an internet site administered by the Commissioner,”.

Section 22 amended (Keeping of business and other records)

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In section 22(9)(d), replace “give public” with “publish” and delete “, in a publication chosen by the Commissioner”.

Section 37 amended (Dates by which annual returns to be furnished)

Replace section 37(2) with:

- (2) The Commissioner must publish the dates by which returns are required to be furnished. A failure to publish the dates does not affect a person’s obligation to furnish a return within the time prescribed by this section.

Section 41A amended (Returns in relation to charitable or other public benefit gifts)

In section 41A(14), delete “ in a publication chosen by the Commissioner.”

Section 68CE amended (Research and development tax credits: publication of details)

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In section 68CE(1), delete “, in a publication chosen by the Commissioner.”

Section 90A amended (Determinations in relation to apportionment of interest costs)

In section 90A(7), delete “, in a publication chosen by the Commissioner and”.

Section 91AA amended (Determinations in relation to standard-cost household service)

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In section 91AA(6), delete “, in a publication chosen by the Commissioner”.

Section 91AAB amended (Determinations relating to types and diminishing values of listed horticultural plants)

Replace section 91AAB(6) with:

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- (6) Within 30 days of issuing a determination under this section, the Commissioner must publish the determination.

Section 91AABB amended (Determinations relating to monetary threshold in extended model reporting standard for digital platforms)

In section 91AABB(6), replace “a notice in a publication chosen by the Commissioner setting out the New Zealand dollar equivalent that is the subject of the determination, any necessary amendment caused by exchange rate fluctuations, and the periods for which the threshold is to apply” with “the determination”.

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Section 91AAG amended (Determination on special rates and provisional rates)

In section 91AAG(7), replace “of publication of the *Gazette* in which notification” with “the Commissioner publishes the notice of revocation” and delete “is made”.

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Section 91AAI amended (Effect on special rate of change in circumstances)

Replace section 91AAI(4)(b) with:

- (b) if the notice is published by the Commissioner, on the day after it is published.

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Section 91AAM amended (Applications for determinations)

Replace section 91AAM(4) with:

- (4) Within 30 days of issuing a determination under section 91AAG(4) or revoking a determination under section 91AAG(7) that is expressed to apply to a class of

Section 91AAM amended (Applications for determinations)—*continued*

persons, the Commissioner must publish the determination or notice of revocation.

Section 91AAN amended (Determinations on rates for diminishing value of environmental expenditure)

Replace section 91AAN(9) with:

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(9) Within 30 days of issuing a determination under subsection (1) that is expressed to apply to a class of persons, the Commissioner must publish the determination.

Section 91AAO amended (Determination on type of interest in FIF and use of fair dividend rate method)

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Replace section 91AAO(5) with:

(5) The Commissioner must publish the determination within 30 days of making the determination.

Section 91AAQ amended (Determination on insurer as non-attributing active CFC)

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In section 91AAQ(8), delete “in a publication chosen”.

Section 91AAS amended (Declaration of emergency event for purposes of family scheme income)

In section 91AAS(4), delete “in a publication chosen by the Commissioner”.

Section 91AAT amended (Determinations relating to certain employment expenditure)

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Replace section 91AAT(7) with:

(7) Within 30 days of issuing or changing a determination under this section, the Commissioner must publish the new or changed determination.

Section 91AAX amended (Accounting and rate determinations relating to AIM method)

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In section 91AAX(4), replace “The Commissioner must give at least 120 days notice of the implementation date of that later determination, in a publication chosen by the Commissioner.” with “The Commissioner must publish the implementation date of that later determination at least 120 days before that date.”

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Section 91AAY amended (Class of taxpayers that must not use AIM method)

In section 91AAY(4), replace “The Commissioner must give at least 120 days notice of the implementation date of that later determination, in a publication chosen by the Commissioner.” with “The Commissioner must publish the implementation date of that later determination at least 120 days before that date.”

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Section 91AAZ amended (AIM method information)

In section 91AAZ(4), replace “The Commissioner must give at least 120 days notice of the implementation date of that later determination, in a publication chosen by the Commissioner.” with “The Commissioner must publish the implementation date of that later determination at least 120 days before that date.”

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Section 91DA amended (Content and notification of a public ruling)

In the heading to section 91DA, replace “**notification**” with “**publication**”.

Repeal section 91DA(2) and (3).

In section 91DA(4), delete “, in full, in a publication of the department”.

Section 91DD amended (Extension of a public ruling)

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In section 91DD(1), delete “in a publication chosen by the Commissioner”.

Section 91DE amended (Withdrawal of a public ruling)

Replace section 91DE(2) with:

- (2) The Commissioner must publish a notice of the withdrawal with adequate notice.

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In section 91DE(3), replace “given” with “published”.

Section 91FH amended (Content and notification of a product ruling)

In the heading to section 91FH, replace “**notification**” with “**publication**”.

Replace section 91FH(4) and (5) with:

- (4) If the applicant applies for earlier publication, the Commissioner must publish the product ruling as soon as possible.
- (5) After the 2-month period has ended, the Commissioner must publish each product ruling.

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Section 91FJ amended (Withdrawal of a product ruling)

Replace section 91FJ(2) with:

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- (2) The Commissioner must publish a notice of the withdrawal with adequate notice.

In section 91FJ(3), replace “given” with “published”.

Section 91GG amended (Notification of status ruling)

In the heading to section 91GG, replace “**Notification**” with “**Publication**”.

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Replace section 91GG(2) with:

- (2) In the case of a status ruling on a product ruling, the Commissioner must also publish the status ruling.

In section 91GG(3), delete “notify the making of and”.

Section 124ZC amended (Publication of approval or revocation)

In section 124ZC, delete “in a publication chosen by the Commissioner”.

Section 124ZH amended (Approved research providers)

In section 124ZH(6), delete “, in a publication chosen by the Commissioner”.

Section 124ZI amended (Certificates for research and development)

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In section 124ZI(5) and (6), delete “in a publication chosen by the Commissioner”.

Section 185F amended (Permitted choices in relation to FATCA agreement)

In section 185F(4), delete “in a publication chosen by the Commissioner”.

Schedule 7 amended (Disclosure rules)

In clause 18, replace “listed by the Commissioner in a publication chosen” with “pub- 10
lished in a list”.

In clause 33(8), delete “, in a publication chosen by the Commissioner,”.

Replace clause 33(10)(c) with:

(c) has had its name published by the Commissioner.

Legislative history

26 August 2025
10 September 2025

Introduction (Bill 199–1)
First reading and referral to Finance and Expenditure Committee