

SECURING NEW ZEALAND'S FUTURE



**BUDGET
2026**

Hon Simon Watts Minister of Revenue

28 May 2026

Tax system being strengthened

Budget 2026 introduces tax changes to strengthen New Zealand's tax system, encourage investment and make it easier to comply with, Revenue Minister Simon Watts says.

"The Government is committed to driving the economic growth needed to create jobs, lift incomes and fund public services New Zealanders rely on," Simon Watts says.

Research and Development

Changes to the Research and Development Tax Incentive (RDTI) will ensure it remains well-targeted, supports innovation and operates as intended.

"Instead of making businesses wait until the end of the tax year, the RDTI is being changed to introduce in-year payments so businesses can get the tax credit sooner. This will support ongoing research activities by removing a key cash flow barrier."

The rules for claiming internal software expenditure are also being changed to ensure the tax credit is rewarding software development that generates wider benefits.

"We are reducing the cap on non-administrative internal software for R&D from \$25 million to \$3 million. This balances the trade-offs between encouraging R&D activities and ensuring the tax credit is well targeted."

Other changes include increasing flexibility of RDTI return deadlines by giving the Commissioner of Inland Revenue the discretion to accept and amend late RDTI filings.

The Government is also expanding the range of R&D expenditure mining businesses can claim under the RDTI.

Foreign Investment Fund (FIF) rules

“The Government is building on progress made last year to encourage investment and make New Zealand a place where skilled people want to live and work.

“Budget 2025 introduced a new method to calculate a recent migrant’s Foreign Investment Fund (FIF) tax on unlisted shares. Budget 2026 extends this method to all New Zealand taxpayers, ensuring tax is paid only on realised gains and actual dividends.

“Budget 2026 also raises the FIF de minimis threshold for overseas investments from \$50,000 to \$100,000, reducing the number of small investors who are required to apply the FIF rules.

“These changes will make it simpler and fairer for Kiwis to invest offshore, reduce surprise tax bills and decrease compliance costs.”

Fringe benefit tax

Budget 2026 simplifies fringe benefit tax (FBT) rules for private motor vehicle use by removing the requirement for detailed logbooks.

“Changes in this area will simplify the rules by taking a ‘close enough is good enough’ approach. This will significantly reduce compliance costs for businesses.

Integrity of the tax system

Budget 2026 makes several changes to maintain the integrity of the tax system.

“Six months after a company has been liquidated, or otherwise removed from the Companies Register, any outstanding loans it previously made to its shareholders will be taxed as income.

“It is unlikely such a loan will ever be repaid, so is effectively income to the former shareholder. Not taxing it is unfair to all the other New Zealanders who pay income tax and contribute to the costs of public services.

“The Government is also updating thin capitalisation settings for foreign-owned New Zealand banking groups to align with prudential requirements,” Simon Watts says.

“These changes help ensure the tax system works as intended. They protect the tax base and support a stable and predictable tax system.”

Compliance

Budget 2026 also invests a further \$15 million per annum for Inland Revenue debt compliance activities.

“The Government’s initial investment in compliance has contributed to approximately \$3 billion in overdue tax being collected in the year to date. We are committed to building on that momentum because every dollar left uncollected is a dollar that cannot support our schools, hospitals, and keeping our communities safe,” Simon Watts says.

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Notes for editors:

The fiscal impacts of these initiatives are totalled below over the period 2025/26 to 2029/30. Some are funded through the Tax Policy Scorecard which is a memorandum account that allows the fiscal impacts of minor tax policy changes to be offset against one another, rather than being managed through Budget allowances.

- RDTI changes (net savings of \$84.6 million).
- FIF rule changes (new spending of \$72.5 million).
- Taxing outstanding loans to shareholders (revenue of \$146 million).
- Investment in Inland Revenue’s compliance activities (net revenue of \$120 million).
- Changes to motor vehicle fringe benefit tax rules (a cost of \$0.6 million) and thin capitalisation rules for foreign-owned New Zealand banking groups (revenue of \$45.2 million) are charged against the Tax Policy Scorecard.