The Treasury

Budget 2026 Information Release

September 2026

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[31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;

[36] 9(2)(h) - to maintain legal professional privilege

[37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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POLICY

Tax policy report: **Update on Tax and Social Policy Work Programme and other potential initiatives for Budget 2026**

Date:	27 November 2025	**Priority:**	High
Security level:		**Report number:**	IR2025/476

Action sought

	Action sought	Deadline
Minister of Revenue	**Note** the contents of this report	27 November 2025

Contact for telephone discussion (if required)

Name	Position	Telephone	Suggested first contact
Maraina Hak	Policy Director	[39]	☒
David Cuellar	Senior Policy Advisor		☐

27 November 2025

Minister of Revenue

Update on Tax and Social Policy Work Programme and other potential initiatives for Budget 2026

Purpose

1. This report responds to your request for updates on items proposed for the Tax and Social Policy Work Programme (TSPWP) by the Corporate Taxpayers Group (CTG), Chartered Accountants Australia & New Zealand (CA ANZ), and the Tax System Forum (TSF).

2. This report also suggests a small list of ideas not on the TSPWP that you could consider progressing. Depending on timeframes, this is likely to need explicit agreement from the Minister of Finance, especially if you would like to consider any of these initiatives for Budget 2026.

3. This report should be read alongside another report being provided to you outlining Inland Revenue's proposed approach to Budget 2026 (IR2025/457 refers). That report provides a list of proposed Budget initiatives for submission to the Treasury.

Budget 2026 process

4. On 4 November 2025, you received a letter from the Minister of Finance outlining the initiatives that you have been invited to submit in Budget 2026. The letter states that invitations are not guarantees of funding in Budget 2026.

5. As communicated in the letter, Budget Ministers have not invited you to submit any spending initiatives outside of those projects included in the TSPWP (including both the published and unpublished versions).

6. Budget guidance states that Inland Revenue can only submit new spending initiatives that have been specifically invited. Later in this report, we note a process for how uninvited initiatives may be submitted for Budget 2026, which requires approval from the Minister of Finance.

TSPWP initiatives

7. **Appendix 1** is an updated version of the TSPWP dashboard. Key updates include progress on the shareholder loans proposals and on the banking proposals.

8. Inland Revenue is proposing in its accompanying report (IR2025/457 refers) that a placeholder initiative be submitted to cover most of the small-to-medium sized items on the TSPWP dashboard that have implications for Budget 2026. Larger items (such as shareholder loans, bank tax, [33] welfare reform) would be submitted separately.

Initiatives from other agencies

9. **Appendix 2** lists potential Budget 2026 initiatives led by other agencies that would require Inland Revenue involvement. At this stage, we expect that the agencies leading these initiatives will be responsible for submitting them to the Treasury.

10. These include [33]
[33]
[33]

Non-TSPWP initiatives

11. The rest of this report discusses projects not on the TSPWP. If you would like to progress any of these as part of Budget 2026, you would need to send a letter to the Minister of Finance requesting approval for a late bid in Budget 2026, noting that submissions of Budget bids are due by 19 December. However, it is possible for proposals to be submitted later in the Budget process if they are agreed by you and the Minister of Finance to be added to the TSPWP.

12. The combination of the current TSPWP and other agency initiatives takes Inland Revenue to full capacity for progressing projects for Budget 2026.[1] The current TSPWP is structured around Government priorities such as attracting and retaining capital and talent, and supporting small businesses. Progressing initiatives not on the TSPWP could require trading off against initiatives already on the TSPWP in terms of fiscal impact, policy resourcing, and departmental delivery capacity.

Minister of Revenue suggestions

13. **Appendix 3** lists potential initiatives that you have recently asked for further information on. These include:

    13.1 **Accounting software subsidy**: we agreed to provide advice on how a subsidy for accounting software could be targeted at small businesses and whether it would be an effective method of encouraging software uptake. You will receive advice on this proposal in December.

[33]

    13.3 **Nationally significant infrastructure tax regime**: you requested advice about a tax regime for infrastructure, including a higher depreciation rate for new infrastructure. This is currently scheduled to be sent to your office on 5 December 2025 (BN2025/477 refers).

[33]

Stakeholder suggestions

14. **Appendix 4** lists suggestions that were received from stakeholders (CTG, CA ANZ, and the TSF) as part of consultation on the TSPWP prior to its publication. We have indicated where these are already included on the current TSPWP.

[1] Inland Revenue's work programme also encompasses critical enhancements to compliance activities, technology, and process improvements.

Measures that could be progressed quickly

15. You asked for a small list of possible initiatives not on the TSPWP that could be progressed quickly, including for Budget 2026. As stated above, progressing measures for Budget 2026 that are not (or will not be) on the TSPWP would require agreement from the Minister of Finance because these are not within the scope of initiatives that have been invited into Budget 2026.

16. The following list represents projects that Inland Revenue considers are higher priority amongst the stakeholder suggestions, particularly for items that expand on the current TSPWP:

    16.1 **Accounting software subsidy** (as above, Minister of Revenue suggestion).

    16.2 **Commissioner discretion to allow late filings** (CTG suggestion): CTG has specifically recommended this item in relation to the Research and Development Tax Incentive. We provided you advice recommending that the Commissioner be granted this discretion as part of your work on Going for Growth: Innovation, Technology and Science (IR2025/376 refers).

    16.3 **Review financial arrangement rules** (CA ANZ suggestion): Inland Revenue will shortly be consulting on the impact of the financial arrangement rules for new migrants. There is no wider work currently underway relating to the financial arrangement rules. However, consultation may raise further issues that warrant further work, and some suggestions could be worked on for Budget 2026. Depending on their scope, these may fall within the scope of the existing TSPWP item on financial arrangement rules.

17. More detail on these measures can be found against the starred (**) items in the appendices.

Consultation

18. The Treasury was informed of this report.

Next steps

19. Officials are available to discuss the contents of this report with you at our next regular meeting on 2 December. If requested, we can provide you with further information to support a conversation with the Minister of Finance about progressing initiatives for Budget 2026 that are not on the TSPWP.

Recommended action

We recommend that you:

a) **note** the contents of this report.

Noted

[39]

Maraina Hak
Policy Director
Policy

Hon Simon Watts
Minister of Revenue
/ /2025

Appendix 1: Tax and Social Policy Work Programme – Dashboard update – 27 November 2025

(Attached separately)

Appendix 2: Potential Budget 2026 initiatives led by other agencies

Item	Potential deployment	Fiscal impact	Update/next steps
[33]			
The Improving Arrangements for Surrogacy Bill *(Ministry of Justice)*	Bill is currently at select committee. [33] [33]	There are no fiscal costs. [33] [33]	The departmental report has recommended changes be made to the Child Support Act 1991 to ensure that the surrogate cannot be made liable for child support in respect of the surrogate child. The Bill needs to be reported back from select committee and [33]
[33]			

Appendix 3: Items requested by the Minister of Revenue that are not on the TSPWP

Starred (**) items are listed earlier in this report as measures that could be progressed quickly

Item	Potential deployment	Fiscal impact	Update/next steps
Software subsidy for SMEs (enhanced deduction)**	B26	Negative	Work currently being scoped; reporting to the Minister of Revenue in December.
[33]			
Nationally significant infrastructure tax regime	-	Negative	Being provided to Minister of Revenue's office on 5 December (BN2025/477 refers).
[33]			

Appendix 4: Items suggested by stakeholders for inclusion on current TSPWP

Starred (**) items are listed earlier in this report as measures that could be progressed quickly

Item	Potential deployment	Expected fiscal impact	Update/next steps
Corporate Taxpayers Group			
Nationally significant infrastructure tax regime	-	-	Inland Revenue will provide the Minister of Revenue advice on this issue shortly. Refer to BN2025/477.
Enhanced Investment Boost	-	-	Inland Revenue will provide advice on further Investment Boost issues in December (IR2025/455). Inland Revenue will undertake a survey of firms in December 2025 to better understand how businesses are responding to Investment Boost.
Loss carry-back regime	Not recommended, but B27, if Ministers wish to progress	High negative fiscal impact	A loss carry-back regime was last considered in 2020 but was not invited into Budget and so not progressed. Although the temporary regime was appreciated by those businesses who made use of it, the take-up was not at a scale which would warrant a permanent regime. In addition, the bulk of the funds were paid out to a limited number of large corporate taxpayers. We consider that for the cost of such a scheme there may be better options to support businesses.
[33]			
Simplifying the tax settings for the Emissions Trading Scheme	-	-	The Tax Counsel Office has recently received feedback from their consultation on a related draft interpretation statement. The issues have not been considered by Policy in any depth at this time. We would need to evaluate these issues against current resources and relative priorities.
Reviewing the tax settings for employee share schemes	[33]		[33] [33] . CTG’s suggestion is for reviewing the rules rather than progressing specific measures, and a review (with subsequent amendments) would not be done in time for Budget 2026.

GST voucher rules	B27, if policy issues arise that need addressing	TBC	We are aware of the need for technical guidance on aspects of the GST rules for vouchers. Inland Revenue is preparing public advice on these rules, and this will be subject to consultation in 2026. If policy issues arise, these can be considered in the context of the TSPWP. Any changes would likely benefit from public consultation as the GST rules for vouchers affect a broad range of taxpayers.
Focusing IR on attracting globally mobile talent and capital	N/A	N/A	Proposes an additional organisational unit within Inland Revenue; not a policy item.
Thin capitalisation measures	-	-	We are unlikely to recommend this be progressed. While changing thin capitalisation settings should in theory be expected to reduce foreign firms' effective tax rates, our data suggests that most foreign owned businesses operating here (outside of infrastructure) are not sensitive to thin capitalisation settings. Only 13% of foreign owned businesses currently have a thin capitalisation ratio of between 40% and the current 60% threshold, while 65% of businesses have a ratio of less than 20%. This suggests that broad changes to thin capitalisation settings are unlikely to have a significant effect on investment. We also considered the previous 75% threshold posed an integrity risk, and stakeholder feedback from recent consultations has been that generally only infrastructure businesses can take on more than 60% of arm's length third party debt. We also consider that the restricted transfer pricing rules have been effective in addressing the kinds of profit shifting we are concerned about in New Zealand, so a broad review of the policy is not necessary.
Controlled foreign companies and foreign investment funds remedials	B27	-	We have met with stakeholders to see if some of the suggested items could be prioritised for an earlier legislative fix. At this stage, we think it is unlikely that these could progress for Budget 2026.
Securitisation amendments	B27, if Ministers wish to prioritise	-	Officials have engaged stakeholders in relation to securitisation amendments and are looking to progress changes in relation to the association rules through the current omnibus tax Bill. The specific issues raised in CTG's letter (which were also in their Bill submission) are not currently being worked on.

Optionality for IFRS taxpayers to adopt accounting treatment as the tax treatment	B27, if Miniters wish to prioritise	Negative	This can and has been considered on a case-by-case basis, however, the different purposes for accounting statements can involve expenditure being accelerated for accounting purposes compared to tax and can therefore result in significant fiscal costs if not carefully considered. Accounting standards are also changed by the XRB over time which can introduce further risk. Integrity measures would be required to prevent taxpayers from cherry picking an approach that results in the best tax outcome.
Review depreciation rates	N/A	N/A	CTG suggested reviewing depreciation rates with a view to simplifying them and reducing compliance costs. Depreciation rates and categories are set by the Commissioner according to legislative criteria. Reviews are carried out by operational areas of Inland Revenue as and when required.
Commissioner discretions to allow late filings and review of the time bar rules**	B26 (discretion) B27 (time bar)	Discretion for RDTI previously costed at $2.5m p.a.	A discretion has been specifically raised in the context of the Research and Development Tax Incentive. Inland Revenue supports introducing a discretion that would enable the Commissioner to accept late or amended returns after the filing deadline. Further work is needed to understand whether the time bar idea has merit, and we do not consider that this work can be done quickly.
Harnessing Inland Revenue IT capabilities **(partly on current TSPWP, refer to digital tax administration for tax intermediaries in Appendix 1)**	Work underway in current TSPWP and IR's Improving Business Tax project	-	-
Chartered Accountants Australia & New Zealand			
Reimagine and simplify FBT, whilst reducing compliance costs **(on current TSPWP, refer to fringe benefit tax in Appendix 1)**	-	-	-

Review of financial arrangement rules**	Some aspects already underway for 2026–27 omnibus Bill Possibly B26 (subject to scope)	Negative	The impact of the FA rules on new migrants (particularly unrealised gains) is already on the TSPWP. Inland Revenue will be commencing targeted consultation on that issue shortly. We are not currently considering wider issues relating to the financial arrangement rules. However, consultation may raise further issues that warrant further work, and further suggestions could be worked on for Budget 2026 depending on their scope.
Simplified option for calculating gains and losses on a crypto portfolio	B27, if Ministers wish to prioritise	TBC	We have not considered options to simplify the calculation of gains and losses in cryptocurrency portfolios. Although there may be merit considering these issues, we would need to evaluate such work against current resources and relative priorities.
FIF rules further work (increase de minimis, make optional revenue account method available, enable losses to be recognised, address FIF M&A issues) **(partly on current TSPWP, refer to FIF phase 2 in Appendix 1)**	-	-	These suggestions are already part of the FIF phase 2 workstream (apart from the losses suggestion). The losses suggestion does not seem sensible on its face (noting that losses cannot arise under FDR), but we could liaise with CA ANZ to understand its concern better.
Comprehensive review and rewrite of land taxing provisions	B27, if Ministers wish to prioritise	TBC	This has been on the work programme in recent years with initial work undertaken, but has subsequently been deprioritised. We do not consider it will become a high priority in the short-term.
Rewrite partnership/limited partnership rules (degree of transparency, high bar required to alter general position, tax credits)	[33]		
Review GST adjustment rules	Not recommended but B27, if Ministers wish to progress a wider review	TBC	The previous Government consulted on options to simplify the apportionment and adjustment rules for GST in 2022. This resulted in legislative changes in 2023. We are not aware of any major issues with the adjustment rules since those legislative changes. If Ministers wanted another review of the adjustment rules, as we are not aware of current issues with the rules, we would be consulting on a blue-sky basis and therefore implementation would not be swift.

Extend work on intermediaries (digital world, business systems, info flows) **(partly on current TSPWP, refer to digital tax administration for tax intermediaries in Appendix 1)**	-	-	-
Source rules, section YD 4(17D)	-	-	We have made amendments in prior Acts to better target this rule. We are happy to discuss any further instances of over-reach with stakeholders, but we are not aware of any at this time, and we note that the submission did not identify any.
Simplification of the entertainment tax rules **(partly on current TSPWP, refer to fringe benefit tax in Appendix 1)**	-	-	Entertainment tax rules were considered as part of the fringe benefit tax review. These options are subject to fiscal constraints and is not being actively worked on.
Review UOMI rules	B27, if Ministers wish to prioritise	TBC - anticipate a high negative fiscal impact	A review of the UOMI rules would require significant resource and further work would be required to understand the merit of a review. This work could not be completed quickly.
Tax System Forum			
[33]			
Limited Partnerships **(same as partnerships item under CA ANZ submission)**	-	-	-
Review of high Effective Marginal Tax Rates (EMTRs)	[33]		