

Taxation (Budget Measures) Bill (No 2)

Government Bill

Explanatory note

General policy statement

The tax measures in this Bill were announced as part of Budget 2025.

The Bill introduces Investment Boost, a partial expensing regime to lift capital investment, help increase productivity, and facilitate economic growth.

The Bill gives effect to several changes to the KiwiSaver regime, including increasing contribution rates for both employers and employees but also providing for employees to apply for a temporary rate reduction, extending eligibility for employer contributions and the government contribution to 16- and 17-year-olds, and means testing and reducing the government contribution.

The Bill also increases the Working for Families abatement threshold, introduces income testing for the first year of the Best Start tax credit, and increases the Working for Families abatement rate.

The Bill gives effect to these changes by amending the following Acts:

- Income Tax Act 2007;
- KiwiSaver Act 2006; and
- Tax Administration Act 1994.

The following is a summary of the specific policy measures contained in this Bill. A comprehensive explanation of all the policy items is provided in a commentary on the Bill that is available at: <https://www.taxpolicy.ird.govt.nz/publications/2025/commentary-taxation-budget-measures-bill-no-2>.

Investment Boost

The Bill introduces Investment Boost, a partial expensing regime that aims to lift capital investment and increase productivity. Investment Boost will achieve this by

allowing businesses to immediately deduct 20% of the cost of qualifying assets, increasing their tax deductions in the year they acquire the asset.

Qualifying assets include most assets that are depreciable for tax purposes, as well as a number of assets that are allowed depreciation-like deductions and improvements to depreciable property. A key exclusion is that qualifying assets cannot have previously been used in New Zealand. Investment Boost will take effect immediately on Budget Day.

KiwiSaver reforms

Employers are currently required to contribute a minimum of 3% of an employee's pay into their KiwiSaver account, provided the employee is also contributing at least 3% of their pay.

The Government also provides a government contribution in the form of a tax credit to KiwiSaver members aged 18 to 64 by matching 50 cents of every dollar that members contribute to their KiwiSaver account to a maximum of \$521.43 per year.

The Bill reforms several aspects of the KiwiSaver regime as follows:

- Increasing contribution rates for both employers and employees from 3% to 3.5% from 1 April 2026, and then to 4% from 1 April 2028.
- Allowing KiwiSaver members to apply to Inland Revenue for a temporary reduction in their contribution rate to 3% from 1 April 2026. The contribution rate would be reduced for a maximum period of 12 months, after which the KiwiSaver member would need to apply for another temporary rate reduction if they want the rate reduction to continue. There would be no limit on the number of rate reductions a member could undertake.
- Extending eligibility for employer contributions to 16- and 17-year-olds from 1 April 2026.
- Extending eligibility for the government contribution to 16- and 17-year-olds from 1 July 2025.
- Removing eligibility for the government contribution for all members with an annual taxable income of over \$180,000 from 1 July 2025.
- Halving the matching rate of the government contribution for all other KiwiSaver members from 50 cents to 25 cents per dollar contributed from 1 July 2025, with a new maximum tax credit of \$260.72 per year.

Working for Families changes

The Bill includes an increase in the Working for Families abatement threshold from \$42,700 to \$44,900. The cost of this increase will be met by increasing the Working for Families abatement rate from 27% to 27.5% and income testing the first year of the Best Start tax credit (currently this only occurs from the second year). These changes will apply for the 2026–27 and later tax years. The change to the Best Start tax credit will apply in relation to children born on or after 1 April 2026.

Departmental disclosure statement

The Inland Revenue Department is required to prepare a disclosure statement to assist with the scrutiny of this Bill. The disclosure statement provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at <http://legislation.govt.nz/disclosure.aspx?type=bill&subtype=government&year=2025&no=157>

Regulatory impact statement

The Inland Revenue Department, jointly with the Treasury and/or the Ministry of Social Development, produced three regulatory impact statements, two on 4 April 2025 and one on 8 April 2025, to help inform the main policy decisions taken by the Government relating to the contents of this Bill.

Copies of these regulatory impact statements can be found at—

- <https://www.taxpolicy.ird.govt.nz/publications/2025/ria-taxation-budget-measures-bill-no-2>
- <https://www.regulation.govt.nz/our-work/regulatory-impact-statements/>

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 gives the dates on which the clauses of the Bill come into force.

Part 1

Amendments to Income Tax Act 2007

Clause 3 provides that *Part 1* amends the Income Tax Act 2007.

Clause 4 inserts *new section CC 15* to provide appropriate clawback of a deduction for expenditure on a new investment asset if there is a significant change away from deductible business use.

Clause 5 inserts *new subpart DI* to provide a deduction of 20% of expenditure on new investment assets. *New section DI 1* provides the purpose of *new subpart DI*, some high level principles, and a road map of the other provisions of *new subpart DI*. *New section DI 2* ensures that *new subpart DI* applies (and does not apply) appropriately from 22 May 2025. *New sections DI 3 and DI 4* provide the meaning of 2 key terms, *new asset transferee* and *new investment asset*. *New section DI 5* provides a deduction of 20% of expenditure on new investment assets. *New section DI 6* provides relationships with other provisions to ensure the calculations in other provisions account correctly for a new investment asset deduction.

Clause 6 amends section EE 48 to provide appropriate clawback of a deduction for a new investment asset that is depreciable property under the depreciation rules.

Clause 7 amends section MD 13 to raise the threshold at which abating Working for Families tax credits start to abate and also the rate at which they abate.

Clause 8 amends section MG 3 to introduce abatement of Best Start tax credits in relation to children under 1 year and born on or after 1 April 2026.

Clause 9 amends section MK 1 to include a definition of *tax credit year* for the purposes of subpart MK.

Clause 10 amends section MK 2. *Subclause (1)* makes a consequential amendment to reflect the change in terminology to refer to a tax credit year. *Subclause (2)* amends section MK 2(1)(a) to extend eligibility for the tax credit to those aged 16 and 17 years. *Subclause (3)* inserts *new section MK 2(1)(cc)* to restrict eligibility for the tax credit to those persons with taxable income of \$180,000 or less for a year, with effect for the tax credit year starting on 1 July 2025 and later years. *Subclause (4)* makes consequential amendments to the list of defined terms in the section.

Clause 11 inserts *new section MK 2B*, which sets out how to determine a person's taxable income for the new eligibility requirement in *new section MK 2(1)(cc)*. *New section MK 2B(1)* provides that a person's taxable income for a tax credit year is their taxable income for the corresponding tax year. *New section MK 2B(2)* sets out the definition of *corresponding tax year* for these purposes.

Clause 12 amends section MK 3 to require the Commissioner to be satisfied that the taxable income requirement in *new section MK 2(1)(cc)* is met for a person before payment is made of the tax credit to the fund provider.

Clause 13 amends section MK 4 to set the tax credit at 25¢ for each \$1 contributed by a KiwiSaver member or member of a complying superannuation fund, up to a new maximum credit amount of \$260.72, with effect for calculating a tax credit for the tax credit year starting on 1 July 2025 and later years. Consequential amendments are also made to reflect the change in terminology to refer to a tax credit year.

Clause 14 amends section YA 1. *Subclause (2)* inserts a new definition of *corresponding tax year*. *Subclause (3)* inserts a new definition of *new asset transferee*. *Subclause (4)* inserts a new definition of *new investment asset*. *Subclause (5)* inserts a new definition of *tax credit year*.

Clause 15 amends schedule 21B as a consequence of providing a deduction of 20% of expenditure on new investment assets.

Clause 16 amends schedule 31 as a consequence of changing the Working for Families tax credits abatement threshold.

Part 2

Amendments to other enactments

Amendments to KiwiSaver Act 2006

Clause 17 sets out the clauses that amend the KiwiSaver Act 2006.

Clause 18 inserts a new definition of *rate reduction* in section 4.

Clause 19 amends section 22 to require an employee to provide evidence of a rate reduction that has not yet ended to any new employer.

Clause 20 amends the contribution rate in section 64. *Subclause (1)* increases the 3% default contribution rate to 3.5% and removes the 3% rate from the contribution rates an employee may choose under section 64(2) from 1 April 2026. *Subclause (2)* increases the 3.5% default contribution rate to 4% from 1 April 2028. *Subclause (3)* provides for a 3% reduced contribution rate to apply if an employee is granted a rate reduction under *new subpart 3B* of Part 3. *Subclause (4)* removes the 3.5% rate from the contribution rates an employee may choose under section 64(2) from 1 April 2028.

Clause 21 amends section 101C to extend eligibility for compulsory employer contributions to those aged 16 and 17 years from 1 April 2026.

Clause 22 amends section 101D to increase the rate in the formula for calculating the amount of a compulsory employer contribution. *Subclause (1)* increases the 3% rate to 3.5% from 1 April 2026 to match the default contribution rate for employees from that date. However, *subclause (1)* also provides that, if an employee has a 3% contribution rate because they have been granted a rate reduction, the employer can instead choose to match that 3% contribution rate. *Subclause (2)* increases the 3.5% rate to 4% from 1 April 2028.

Clause 23 inserts *new subpart 3B* into Part 3, which provides for a person to obtain a rate reduction for their contribution rate. *New section 101L* sets out how a person can apply for a rate reduction and provides that a rate reduction must be for a minimum of 92 days and a maximum of 1 year. *New section 101M* provides that the Commissioner must grant a rate reduction if the application is made in accordance with *new section 101L*. *New section 101N* provides that the Commissioner must give notice of the rate reduction to the person who applied and to each employer for whom the rate reduction will apply. *New section 101O* provides that when an employer has been notified of a rate reduction for a person, the employer must make deductions of contributions at the reduced rate of 3%. *New section 101P* provides that the Commissioner must notify the person of the end of their rate reduction before it ends. *New section 101Q* provides that the Commissioner must give notice to each affected employer of the date a rate reduction ended and that they must cease making deductions of contributions at the reduced rate. *New section 101R* provides that, if an employer is notified that a rate reduction has ended or been revoked, the employer must cease making deductions at the reduced rate and must start making deductions at whichever rate applies under section 64. *New section 101S* allows a person to revoke their rate reduction by giving notice to their employer, subject to the restriction that they cannot revoke it within the first 92 days without their employer's agreement. *New section 101T* provides for the situation where a person enters new employment during a rate reduction but is unable to provide evidence of the reduction to their new employer. Once evidence is provided, the amount of any contributions deducted in excess of the amount that should have been deducted if the rate reduction had been applied for the relevant period is able to be refunded.

Clause 24 makes a consequential amendment to *new section 101S(1)*.

Clause 25 inserts *new section 244* to ensure that non-compliance with financial markets legislation is ignored if the non-compliance results from the KiwiSaver changes proposed in this Bill and does not continue beyond 1 November 2025 or, if the non-compliance relates to a product disclosure statement, 1 January 2026.

Clause 26 amends schedule 1, KiwiSaver scheme rules, to insert *new clause 15B* to provide for a member taking a rate reduction.

Amendments to Tax Administration Act 1994

Clause 27 sets out the clauses that amend the Tax Administration Act 1994.

Clause 28 amends section 68C to include the requirement that a person has taxable income of \$180,000 or less within the requirements that a fund provider must have no knowledge a person does not meet to apply for a tax credit.

Clauses 29 and 30 amend sections 80KB and 80KV as a consequence of introducing abatement of Best Start tax credits in relation to children aged under 1 year and born on or after 1 April 2026.

Hon Nicola Willis

Taxation (Budget Measures) Bill (No 2)

Government Bill

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Part 2

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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Taxation (Budget Measures) Act **(No 2) 2025**.

2 Commencement

- (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. 5
- (2) **Sections 4, 5, 6, 14(3) and (4), and 15** come into force on 22 May 2025.
- (3) **Sections 9, 10, 11, 12, 13, 14(2) and (5), 25, and 28** come into force on 1 July 2025.
- (4) **Sections 18, 19, 20(3), 23, and 26** come into force on 1 February 2026. 10
- (5) **Sections 7, 8, 16, 20(1), 21, 22(1), 29, and 30** come into force on 1 April 2026.
- (6) **Sections 20(2) and (4), 22(2), and 24** come into force on 1 April 2028.

Part 1

Amendments to Income Tax Act 2007 15

3 Amendments to Income Tax Act 2007

This Part amends the Income Tax Act 2007.

4 New cross-heading and section CC 15 inserted

After section CC 14, insert:

New investment assets: change of use 20

CC 15 New investment assets: change of use

When this section applies

- (1) This section applies if a person that has deducted an amount for a new investment asset under **section DI 5** (New investment asset deduction) subsequently changes the use of the asset such that the percentage of deductible use of the asset under subpart DA (General rules) would change, applying apportionment to the permissions and limitations applicable for **section DI 5**. 25

| | | |
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| | <i>When this section does not apply: less than 25% change in deductible use</i> | |
| (2) | This section does not apply if, for the asset, the amount given by the following formula, expressed as a percentage, is less than 25%: $1 - (\text{new use} \div \text{previous use}).$ | |
| | <i>Income</i> | 5 |
| (3) | The person has, for the asset, an amount of income equal to the amount calculated by the following formula: $\text{DI 5 deduction} - (\text{new use} \div \text{previous use} \times \text{DI 5 deduction}).$ | |
| | <i>Definition of items in formulas in subsections (2) and (3)</i> | |
| (4) | In the formulas in subsections (2) and (3) ,— | 10 |
| | (a) new use is the new percentage of deductible use under subpart DA for the asset, applying apportionment to the permissions and limitations applicable for section DI 5 , expressed as a decimal: | |
| | (b) previous use is the previous percentage of deductible use under subpart DA for the asset, applying apportionment to the permissions and limitations applicable for section DI 5 , expressed as a decimal: | 15 |
| | (c) DI 5 deduction is— | |
| | (i) the amount of the deduction under section DI 5 for the previous use, if subparagraph (ii) does not apply: | |
| | (ii) the amount given by the terms in the round brackets in the formula in subsection (3) the previous time this section applied to the asset, if this section previously applied to the asset. | 20 |
| | <i>Relationship with subject matter</i> | |
| (5) | For an item that is depreciable property, the amount of income under subsection (3) increases the item's adjusted tax value for the purposes of section EE 48(1)(a) (Effect of disposal or event). | 25 |
| | Example | |
| | Thomas buys a new yacht for \$100,000 that he begins using in the 2025–26 income year. He reduces the base used for determining depreciation by \$20,000. He determines that 90% business use is a reasonable basis for apportionment. He claims \$18,000 as a deduction, which is 90% of \$20,000. In the 2026–27 income year, he only uses the yacht 40% of the time for business. This is a reduction in business use from 90% to 40%. Had Thomas taken the Investment Boost deduction using the apportionment in the 2026–27 income year, he would have been entitled to claim just \$8,000. 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. | 30 |
| | Defined in this Act: adjusted tax value, amount, deduction, depreciable property, income, new investment asset | 35 |

5 New subpart DI inserted

After subpart DH, insert:

Subpart DI—New investment assets

DI 1 New investment assets*Purpose*

5

- (1) The main purpose of this subpart is to allow a person a deduction in relation to expenditure on a new investment asset, effectively accelerating depreciation or amortisation, as applicable, for that asset.

Outline

- (2) In this subpart,—
- (a) **section DI 2** provides rules for when this subpart applies and does not apply:
- (b) **section DI 3** provides the meaning of **new asset transferee**:
- (c) **section DI 4** provides the meaning of **new investment asset**:
- (d) **section DI 5** allows deductions for expenditure on new investment assets: 15
- (e) **section DI 6** provides relationships between this subpart and other provisions of the Act for a person allowed a deduction for a new investment asset and also for certain other people, for example, new asset transferees. **Section DI 6** removes, where appropriate, the amount of a deduction for a new investment asset from the calculation of other deductions, tax cost bases, and associated calculations for the asset under relevant depreciation and amortisation provisions, so as to ensure that those other deductions are calculated post-new investment asset deduction. **Section DI 6** contains examples of its application. 20

Defined in this Act: deduction, new asset transferee, new investment asset 25

DI 2 When this subpart applies and does not apply*When this subpart applies*

- (1) This subpart applies for a person,—
- (a) for an asset acquired by them that is depreciable property, if— 30
- (i) the asset first becomes available for use in New Zealand by the person on or after 22 May 2025, other than as trading stock; and
- (ii) the asset has never previously been used or available for use in New Zealand for any purpose, other than as trading stock; and
- (iii) the person has chosen to apply this subpart to the asset in a return of income for the income year: 35
- (b) for an asset acquired by them that is not depreciable property, if—

| | |
|--|----|
| <ul style="list-style-type: none"> (i) the person incurs the expenditure in relation to the asset on or after 22 May 2025; and (ii) the person has chosen to apply this subpart to the asset in a return of income for the income year. | 5 |
| <i>When this subpart does not apply</i> | |
| <p>(2) This subpart does not apply to expenditure the person incurs before 22 May 2025 in relation to an asset that is not depreciable property.</p> <p>Defined in this Act: depreciable property, income year, New Zealand, return of income, trading stock</p> | 5 |
| DI 3 Meaning of new asset transferee | |
| <p>New asset transferee means one of the following persons that acquires an asset to which another person (person A) previously chose to apply this subpart:</p> | 10 |
| <ul style="list-style-type: none"> (a) an associate of person A: (b) a company amalgamating with person A: (c) a person who is a party to a relationship agreement with person A or who is associated with a person who is a party to a relationship agreement with person A: (d) a person who is a transferee of person A's estate in the circumstances described in section FC 1(1)(a) or (b) (Disposals to which this subpart applies). | 15 |
| Defined in this Act: associated person, company, relationship agreement | |
| DI 4 Meaning of new investment asset | |
| New investment asset— | |
| <ul style="list-style-type: none"> (a) means, for a person, an asset they acquire and own if the asset is— <ul style="list-style-type: none"> (i) depreciable property for which the person has a depreciation loss, including a zero amount of depreciation loss (for example, some commercial buildings): (ii) an improvement for which the person is allowed a deduction under section DO 4 (Improvements to farm land): (iii) a planting for which the person is allowed a deduction under section DO 5 (Expenditure on land: planting of listed horticultural plants): (iv) an improvement for which the person is allowed a deduction under section DO 12 (Improvements to aquacultural business): (v) an improvement for which the person is allowed a deduction under section DP 3 (Improvements to forestry land): (vi) an asset that is acquired with petroleum development expenditure: (vii) an asset that is acquired with mining development expenditure: | 25 |
| 30 | |
| 35 | |

- (viii) an improvement to an asset of the type in **subparagraph (i)**:
- (b) does not include an asset if and to the extent to which it is—
 - (i) a dwelling:
 - (ii) fixed life intangible property:
 - (iii) a petroleum privilege or a petroleum permit: 5
 - (iv) a mining right or a mining permit.

Defined in this Act: commercial building, depreciable property, depreciation loss, dwelling, fixed life intangible property, improvement, mining development expenditure, mining permit, petroleum development expenditure, petroleum permit

DI 5 New investment asset deduction 10

Deduction

- (1) For the income year in which an asset becomes a new investment asset, a person is allowed a deduction equal to the amount calculated by the following formula:

$$0.2 \times (\text{expenditure} - \text{contribution}). \quad 15$$

Definition of items in formula

- (2) In the formula,—
- (a) **expenditure** is the amount of expenditure the person incurs in acquiring the asset, excluding expenditure to which this subpart does not apply (see **section DI 2(2)**): 20
 - (b) **contribution** is the total amount of the following:
 - (i) capital contributions for the asset if section DB 64 (Capital contributions) applies:
 - (ii) the payment amount that section DF 1(3) (Government grants to businesses) applies to, for the asset. 25

Link with subject matter

- (3) The person is allowed the deduction under this section despite section DF 1(2).

Link with subpart DA

- (4) **Subsection (1)** overrides the capital limitation. The general permission must still be satisfied and the other general limitations still apply. 30

Defined in this Act: amount, capital contribution, capital limitation, deduction, general limitation, general permission, income year, new investment asset

DI 6 Relationship to cost, calculations, etc, in other provisions

For a person (**person A**) allowed a deduction under **section DI 5** for a new investment asset, and for a person that is a new asset transferee in relation to person A and the asset,— 35

- (a) the asset's adjusted tax value, base value, cost, or value, as applicable, is reduced by the amount of person A's deduction for the purposes of quan-

tifying the amount of depreciation loss under subpart EE (Depreciation) for the asset:

- (b) the relevant diminished value, expenditure, cost, value, or consideration, as applicable, is reduced by the amount of person A's deduction for the purposes of quantifying the amount of a deduction under subparts DO (Farming and aquacultural business expenditure), DP (Forestry expenditure), DT (Petroleum mining expenditure), and DU (Mineral mining expenditure) for the asset.

Example 1

ABC company purchases a new investment asset for \$10,000 on 1 October 2025 (**Asset A**). Asset A is depreciable property and has a DV rate of 10%. Asset A is used for 6 months in the income year ended 31 March 2026. The amount ABC company can deduct in the 2025–26 income year is the total of:

- $20\% \times \$10,000$ expenditure (**section DI 5**) = \$2,000
- $10\% \times 6/12 \times (\$10,000 - \$2,000)$ (**section DI 6(a)**) = \$400.

The total deduction for Asset A in the 2025–26 income year is \$2,400.

Example 2

ABC company transfers Asset A to an associate (**associate B**) at the end of the 2025–26 income year. Under a provision of this Act, associate B steps into the shoes of ABC company (for example, section FM 15(2)). The original acquisition cost of \$10,000 is reduced for associate B, for depreciation purposes, to \$9,600 by operation of **section DI 6**. Depreciation deductions of \$400 are effectively transferred (see section FM 15(7)). **Section DI 6(a)** in effect also transfers the \$2,000 new investment asset deduction claimed by ABC company to associate B for the purposes of the item **new investment asset amount** in **section EE 48(1B) and (1C)**. When associate B disposes of Asset A for \$9,600, associate B has clawback income of \$2,000 under **section EE 48**.

Defined in this Act: adjusted tax value, amount, deduction, depreciation loss, diminished value, new asset transferee, new investment asset

6 Section EE 48 amended (Effect of disposal or event)

- (1) In section EE 48(1B), in the formula, replace “DB 64 item amount” with “DB 64 item amount + new investment asset amount”.
- (2) After section EE 48(1C)(c), insert:

(d) **new investment asset amount** is the amount of the reduction for the item under **section DI 6** (Relationship to cost, calculations, etc, in other provisions) for the person, if the item is a new investment asset.

- (3) In section EE 48, list of defined terms, insert “new investment asset”.

7 Section MD 13 amended (Calculation of family credit abatement)

- (1) In section MD 13(3)(a)(i), replace “\$42,700, 27 cents” with “\$44,900, 27.5 cents”.

(2) In section MD 13(3)(a)(ii), replace “\$42,700, 27 cents” with “\$44,900, 27.5 cents”.

(3) **Subsections (1) and (2)** apply for the 2026–27 and later tax years.

8 Section MG 3 amended (Best Start credit abatement)

Replace section MG 3(2)(b)(i) with: 5

- (i) the days on which the dependent child is less than 1 year old, if the dependent child was born before 1 April 2026:

9 Section MK 1 amended (Tax credits for superannuation contributions)

(1) In section MK 1(1),—

- (a) after “a tax credit”, insert “for a tax credit year”; and 10
 (b) replace “year described in subsection (3)” with “tax credit year”.

(2) Repeal section MK 1(3).

(3) After section MK 1(4), insert:

Meaning of tax credit year

(5) In this subpart, **tax credit year** is a year that begins on 1 July and ends on 30 June for which a tax credit referred to in subsection (1) is calculated. 15

(4) In section MK 1, list of defined terms,—

- (a) delete “employee”, “employer”, “employer contribution”, and “pay”; and
 and
 (b) insert “tax credit year”; and 20
 (c) replace “tax year” with “year”.

(5) **Subsections (1), (2), (3), and (4)** apply for the tax credit year starting on 1 July 2025 and later years.

10 Section MK 2 amended (Eligibility requirements)

(1) In section MK 2(1), in the words before the paragraphs, replace “year described in section MK 1(3)” with “tax credit year”. 25

(2) In section MK 2(1)(a), replace “18” with “16”.

(3) After section MK 2(1)(cb), insert:

- (cc) their taxable income, as determined under **section MK 2B**, must be \$180,000 or less; and 30

(4) In section MK 2, list of defined terms, insert “fund provider” and “tax credit year”.

(5) **Subsections (1), (2), (3), and (4)** apply for the tax credit year starting on 1 July 2025 and later years.

11 New section MK 2B inserted (Taxable income)

- (1) After section MK 2, insert:

MK 2B Taxable income*Taxable income*

- (1) For the purposes of
- section MK 2(1)(cc)**
- , a person's taxable income for the tax credit year is their taxable income for the corresponding tax year. 5

Meaning of corresponding tax year

- (2) In this section, **corresponding tax year** means—
- (a) the tax year (the **current year**) that ends during the tax credit year if the person— 10
- (i) has filed their return of income for that tax year on or before the end of the tax credit year; or
- (ii) is not required to file a return of income for that tax year under section 33 of the Tax Administration Act 1994; or
- (b) in any other case, the tax year preceding the current year. 15

Defined in this Act: corresponding tax year, return of income, tax credit year, tax year, taxable income

- (2)
- Subsection (1)**
- applies for the tax credit year starting on 1 July 2025 and later years.

12 Section MK 3 amended (Payment of tax credits) 20

- (1) Replace section MK 3(1), other than the heading, with:

- (1) This section applies—
- (a) when a member credit contribution is made to a KiwiSaver scheme or a complying superannuation fund by a person; and
- (b) the fund provider of the scheme or fund files a claim form under section 68C(3) or (4) of the Tax Administration Act 1994 for the person. 25

- (2) In section MK 3(2), replace “The Commissioner must pay a tax credit to the trustees of the scheme or fund (the
- fund provider**
-) to which the person has contributed.” with “Within 30 working days of the Commissioner being satisfied that the person meets the requirement in
- section MK 2(1)(cc)**
- , the Commissioner must pay a tax credit to the fund provider of the scheme or fund to which the person has contributed.” 30

- (3) Repeal section MK 3(4).

- (4) In section MK 3, list of defined terms,—
- (a) insert “working day”; and 35
- (b) delete “employer contribution”, “employer’s superannuation contribution”, and “trustee”.

- (5) **Subsections (1), (2), (3), and (4)** apply for the tax credit year starting on 1 July 2025 and later years.

13 Section MK 4 amended (Amount of tax credit)

- (1) In section MK 4(1), replace “year described in section MK 1(3)” with “tax credit year”. 5
- (2) In section MK 4(2),—
- (a) replace “half” with “quarter”; and
- (b) replace “\$521.43” with “\$260.72”.
- (3) In section MK 4(3)(a) and (b), replace “half” with “quarter”.
- (4) In section MK 4(4), in the formula, replace “\$521.43” with “\$260.72”. 10
- (5) In section MK 4(2), (3), (5), and (6), replace “year” with “tax credit year” in each place.
- (6) In section MK 4, list of defined terms,—
- (a) insert “pay” and “tax credit year”; and
- (b) delete “employee”, “employer contribution”, “first payment period”, “salary or wages”, and “second payment period”. 15
- (7) **Subsections (1), (2), (3), (4), (5), and (6)** apply for calculating a tax credit for the tax credit year starting on 1 July 2025 and later years.

14 Section YA 1 amended (Definitions)

- (1) This section amends section YA 1. 20
- (2) Insert, in appropriate alphabetical order:
- corresponding tax year** is defined in **section MK 2B(2)** (Taxable income) for the purposes of that section
- (3) Insert, in appropriate alphabetical order:
- new asset transferee** is defined in **section DI 3** (Meaning of new asset transferee) 25
- (4) Insert, in appropriate alphabetical order:
- new investment asset** is defined in **section DI 4** (Meaning of new investment asset)
- (5) Insert, in appropriate alphabetical order: 30
- tax credit year** is defined in **section MK 1(5)** (Tax credits for superannuation contributions) for the purposes of subpart MK (Tax credits for KiwiSaver schemes and complying superannuation funds)

15 Schedule 21B amended (Expenditure or loss for research and development tax credits)

- (1) In schedule 21B, part A, clause 1, replace “Depreciation loss” with “Depreciation loss and amounts deductible under **section DI 5**”.
- (2) In schedule 21B, part A, clause 2, replace “and DB 50” with “, DB 50, and **DI 5**”.

16 Schedule 31 amended (Annualised equivalent amount for Part M)

- (1) Replace the first 4 rows of schedule 31, other than the headings, with:

| | |
|--|--------|
| | \$ |
| Amount does not exceed \$44,900 | 44,900 |
| Amount exceeds \$44,900 but does not exceed \$45,500 | 45,500 |

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

Part 2

10

Amendments to other enactments*Amendments to KiwiSaver Act 2006***17 Amendments to KiwiSaver Act 2006**

Sections 18 to 26 amend the KiwiSaver Act 2006.

18 Section 4 amended (Interpretation)

15

In section 4(1), insert, in appropriate alphabetical order:

rate reduction, for a person, means a period on or after 1 April 2026 for which the deduction of contributions is to be made from their salary or wages at the rate set out in **section 64(1)(c)** in accordance with **subpart 3B** of Part 3

19 Section 22 amended (Employees giving information to employers)

20

After section 22(1)(c)(i), insert:

- (ia) give or show to his or her employer a copy of a notice given by the Commissioner under **section 101N** that grants a rate reduction that has not yet ended; or

20 Section 64 amended (Contribution rate)

25

- (1) In section 64(1)(a) and (2), replace “3%” with “3.5%”.
- (2) Replace section 64(1)(a) and (ab) with:
- (a) 4% of the employee’s gross salary or wages; or
- (3) After section 64(1)(b), insert:

- (c) 3% of the employee’s gross salary or wages if the payment of salary or wages is calculated on or after 1 April 2026 and the employee has a rate reduction under **subpart 3B**.
- (4) In section 64(2), delete “3.5%,”.
- 21 Section 101C amended (Employee’s requirements)** 5
In section 101C(b), replace “18” with “16”.
- 22 Section 101D amended (Compulsory employer contribution amount: general rule)**
- (1) Replace section 101D(4) with:
- (4) **CEC rate** is— 10
- (a) 3% if the employee has been granted a rate reduction under **subpart 3B** and the employer chooses to apply this rate; or
- (b) 3.5%.
- (2) In section 101D(4)(b), replace “3.5%” with “4%”.
- 23 New subpart 3B of Part 3 inserted** 15
After section 101K, insert:
- Subpart 3B—Rate reduction**
Applications for rate reduction
- 101L How to apply for rate reduction**
- (1) A person to whom subpart 1 of Part 3 applies may apply to the Commissioner for a rate reduction by any means that the Commissioner accepts. 20
- (2) The application must include the following:
- (a) the person’s name and address; and
- (b) the person’s tax file number; and
- (c) the period for which the rate reduction is required; and 25
- (d) any other information the Commissioner requires.
- (3) For the purposes of **subsection (2)(c)**, the period for which the rate reduction is required must be no less than 92 days and no more than 1 year.
- 101M Grant of rate reduction**
- The Commissioner must grant a rate reduction for the period specified in the application if the application is made in accordance with **section 101L**. 30

101N Commissioner must give notice of grant of rate reduction

The Commissioner must, as soon as practicable after granting a rate reduction, give notice—

- (a) to the person who applied for the rate reduction—
 - (i) that the rate reduction has been granted; and 5
 - (ii) of the date on which the rate reduction will end; and
- (b) to each employer for whom the rate reduction will apply—
 - (i) that a rate reduction has been granted for the person; and
 - (ii) that the employer must make deductions of contributions from the salary or wages of the person at the rate set out in **section 64(1)(c)**; and 10
 - (iii) of the date on which the rate reduction will end.

101O Deductions at specified rate

If an employer is notified under **section 101N** for a person, the employer must make deductions of contributions from the salary or wages of the person at the rate set out in **section 64(1)(c)** with effect from the next payment of salary or wages that the employer calculates. 15

End of rate reduction

101P Commissioner must give notice before rate reduction ends

Before a rate reduction ends, the Commissioner must give notice of the date it ends to the person granted the rate reduction. 20

101Q Commissioner must give notice to employer of end of rate reduction

The Commissioner must give notice to each affected employer known to the Commissioner, as soon as practicable after the end of a rate reduction,—

- (a) of the date on which the rate reduction ended; and 25
- (b) that the employer must cease making deductions of contributions from the salary or wages of the person at the rate set out in **section 64(1)(c)**.

101R Deductions at applicable rate

- (1) If an employer is notified under **section 101Q** about the end of a person's rate reduction or under **section 101S** about the revocation of a person's rate reduction, the employer must cease making deductions of contributions from the salary or wages of the person at the rate set out in **section 64(1)(c)** and must start making deductions at the contribution rate that applies under section 64. 30

- (2) **Subsection (1)** applies with effect from the next payment of salary or wages that the employer calculates after the date on which the employer receives the notice referred to in that subsection.
- (3) This section is subject to any new rate reduction that is granted under this sub-part. 5

Revocations and refunds

101S Revocation of rate reduction

- (1) Subject to **subsection (2)**, a person may at any time revoke their rate reduction for an employer by giving notice to the employer requiring the employer to cease making deductions of contributions from their salary or wages at the rate set out in **section 64(1)(c)** and to start making deductions at the applicable contribution rate under **section 64(1)(a), (ab), (b) or (2)**. 10
- (2) No rate reduction may be used for an employer for less than 92 days unless the employer agrees.

101T Refund if person cannot comply 15

- (1) This section applies if a person—
- (a) has a rate reduction that has not yet ended; and
 - (b) starts new employment but cannot comply with **section 22(1)(c)(ia)**.
- (2) The employer may, at any time after the person complies with **section 22(1)(c)(ia)**, refund to the person the amount determined under the following formula: 20
- $$\text{contributions deducted} - \text{rate reduction amount.}$$
- (3) The items in the formula are defined in **subsections (4) and (5)**.
- (4) **Contributions deducted** is the total amount of contributions deducted by the employer from the person's salary or wages at a contribution rate other than the rate set out in **section 64(1)(c)**. 25
- (5) **Rate reduction amount** is the amount the contributions deducted in **subsection (4)** would have totalled if the employer had deducted those contributions at the rate set out in **section 64(1)(c)**.
- (6) The Commissioner may refund the amount determined under **subsection (2)** to the person if the money is held by the Commissioner. 30
- (7) This section is subject to section 91B.

24 Section 101S amended (Revocation of rate reduction)

In section 101S(1), delete “(ab),”.

| | | |
|------------|---|----|
| 25 | New section 244 inserted (Protection from non-compliance: Taxation (Budget Measures) Act (No 2) 2025) | |
| | After section 243, insert: | |
| 244 | Protection for non-compliance: Taxation (Budget Measures) Act (No 2) 2025 | 5 |
| | Non-compliance with financial markets legislation, as defined in section 6(1) of the Financial Markets Conduct Act 2013, or the Fair Trading Act 1986 is ignored if the non-compliance results from the enactment of sections 9 to 13, 14(2) and (5), 18 to 24, 26, and 28 of the Taxation (Budget Measures) Act (No 2) 2025 and— | 10 |
| | (a) the non-compliance does not continue on or after 1 November 2025; or | |
| | (b) the non-compliance relates to a product disclosure statement or other disclosure document, as defined in section 6(1) of the Financial Markets Conduct Act 2013, and does not continue on or after 1 January 2026. | |
| 26 | Schedule 1 amended (KiwiSaver scheme rules) | 15 |
| | In schedule 1, after clause 15, insert: | |
| 15B | Rate reduction | |
| | An employee member may, at any time, take a rate reduction in accordance with subpart 3B of Part 3. | |
| | <i>Amendments to Tax Administration Act 1994</i> | 20 |
| 27 | Amendments to Tax Administration Act 1994 | |
| | Sections 28 to 30 amend the Tax Administration Act 1994. | |
| 28 | Section 68C amended (Tax credit relating to KiwiSaver and complying superannuation fund members: member credit form) | |
| (1) | In section 68C(2)(c), after “(c),”, insert “(cc),”. | 25 |
| (2) | Subsection (1) applies for the tax credit year starting on 1 July 2025 and later years. | |
| 29 | Section 80KB amended (Contents of application) | |
| (1) | In section 80KB(1)(c), in the words before the subparagraphs, replace “on the last day of the tax year” with “on the last day of the tax year and that tax year is before the 2026–27 tax year”. | 30 |
| (2) | In section 80KB(1)(f), replace “on the last day of the tax year” with “on the last day of the tax year and that tax year is before the 2026–27 tax year”. | |
| (3) | In section 80KB(1)(g), replace “on the last day of the tax year” with “on the last day of the tax year and that tax year is before the 2026–27 tax year”. | 35 |

30 Section 80KV amended (Statement of family scheme income)

In section 80KV(1), replace “on the last day of the tax year” with “on the last day of the tax year and that tax year is before the 2026–27 tax year”.