

2026 Tax Expenditure Statement

28 May 2026

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<https://www.treasury.govt.nz/publications/tax-expenditure/2026-tax-expenditure-statement>

Introduction

The purpose of this statement is to provide further transparency around policy-motivated 'expenditures' made through the tax system. Tax expenditures take the form of an exemption, allowance, preferential tax rate, deferral, or offset that reduces a tax obligation to achieve a specific policy objective. The concept recognises that the result is similar whether a government chooses to spend directly on or forego revenue from certain individuals, groups, or activities.

This statement is not intended to be a statement of policy effectiveness or desirability.

The Public Finance Amendment Act has introduced new mandatory requirements for the Tax Expenditure Statement under section 26MA of the Public Finance Act 1989. While we have published voluntary Tax Expenditure Statements since 2010, the new legal framework requires enhanced disclosure and transparency.

The Tax Expenditure Statement must include, for each tax expenditure:

- Description of the tax expenditure.
- Legislative provision that authorises it.
- Estimated value where reasonably feasible to estimate.
- Type and objective of the tax expenditure.
- Links to decision and analysis documents (where available).

The key information missing from previous statements is the estimated value of each expenditure and links to the decision or analysis document.

Changes from Previous Statements

Structural changes

The guiding criteria for identifying tax expenditures has not changed from previous statements. The criteria are discussed in the next section and summarised in Figure 1.

In previous statements, the estimated value of a small sub-section of tax expenditures with readily accessible data were quantified. This statement provides a greater number of estimates for tax expenditures. The tax expenditures quantified to date were chosen based on a mixture of criteria, including availability of data or previous analysis, and the degree of complexity required. We will progressively add more estimates over the next several years as resourcing permits.

The requirement to provide estimates for each tax expenditure where reasonably feasible motivates us to adopt a consistent approach to estimation. We have adopted the “revenue forgone” method used commonly in other jurisdictions. The method aims to quantify the revenue the government is missing out on because the person or activity is taxed differently from a more standard approach to taxing the person or activity. This method is discussed further below. Each tax expenditure now states a benchmark that the tax expenditure is a deviation from.

We have included links to decision or analysis documents relating to each expenditure where available. We have prioritised including documents that are likely to provide the most insight into the rationale behind the expenditure. Our first choice is Regulatory Impact Statements (RIS) relating to the decision. A RIS often outlines the objective for the expenditure and compares it to other policy options. However, where a RIS is not available, we have provided copies of Cabinet papers, officials’ policy reports, analysis in the form of discussion papers, and where none of these are available the relevant *Tax Information Bulletin*.

We have also made several presentational changes to the statement aimed at making the statement more informative and accessible. Changes include:

- More information explaining each tax expenditure.
- Reclassifying expenditures into one of four tax expenditure types.
- Removing the previous “type” and “impact” categories.
- Where estimates are provided, the estimate corresponds to the year the estimate was last reviewed.

Additions to list of expenditures

Partial expensing (Investment Boost)

New foreign investment fund calculation method (revenue account method)

Removals from list of expenditures

Charities deregistration exemption for community housing suppliers – officials now judge that this does not meet the definition of a tax expenditure

Mycoplasma Bovis – this no longer has a cost

The child tax credit and parental tax credit have been discontinued

What is a Tax Expenditure?

Governments can spend in a variety of direct and indirect ways. International public sector accounting standards (IPSAS 23) divide spending into three different categories: direct spending; spending through the tax system; and tax expenditures.

Table 1 – Classification of Crown spending under public sector accounting standards

	Definition	Reporting
Direct spending	Traditional spending made as a direct transfer between the Crown and different entities or individuals.	Disclosed in the <i>Financial Statements of the Government</i> and annual Budget.
Spending through the tax system	Transfers available to recipients regardless of whether they pay taxes or use a particular method to pay their taxes.	A predictable cash value allows these transfers to be formally appropriated and disclosed in the <i>Financial Statements of the Government</i> and annual Budget.
Tax expenditures	Individual features of the tax system that reduce an entity’s tax obligation in a way that is designed to give effect to policy other than to raise revenue in the most efficient and economically neutral way.	Tax expenditures are defined in tax legislation. The 2010 statement was the first disclosure since 1984.

As tax systems differ from country to country, there is no current international consensus as to how tax expenditures should be categorised. The Treasury released a paper on how tax expenditure reporting could be categorised to meet New Zealand’s objectives in the *Treasury Policy Perspectives Paper 09/01*.

Some countries define tax expenditures indirectly relative to a normative benchmark. This approach allows countries to report a wider set of structural tax expenditures that are generally applicable.¹ This document has focused on a narrower subset of tax expenditures that bear a distinct fiscal cost and represent a clear policy-motivated exemption to current tax practice.² A summary of the guiding criteria is included in Figure 1.

No attempt has been made to identify a normative tax benchmark or to comprehensively analyse tax legislation. However, we see merit in progressively moving to a more normative approach. This tax expenditure statement has taken a step in that direction by identifying the current tax practice (or benchmark) that the tax expenditure is a deviation from. This exercise has highlighted the diversity of ways in which the current tax practice is currently identified (ranging from high-level ideas like having depreciation deductions match economic depreciation of the asset to more technical ideas such as fringe benefits being subject to tax unless the benefit is provided on business premises).

¹ For example, Portfolio Investment Entities (PIEs) offer all taxpayers with marginal personal tax rates above 28% the option of relatively ‘concessional’ tax treatment as a mechanism to encourage portfolio investment. While a non-revenue policy objective suggests that PIEs could be categorised as a tax expenditure, PIEs are excluded from the tax expenditure definition used in this document as PIEs are available to all taxpayers. A benchmark tax system would allow the Treasury to categorise structural features of the tax system such as PIEs, trusts, or progressive personal tax rates. A benchmark tax structure is useful where no clear exemption exists as it would define what constitutes the ‘standard’ tax treatment. For instance, is the ‘standard rate’ the company rate, PIE rate, trust rate, or one of the personal tax rates?

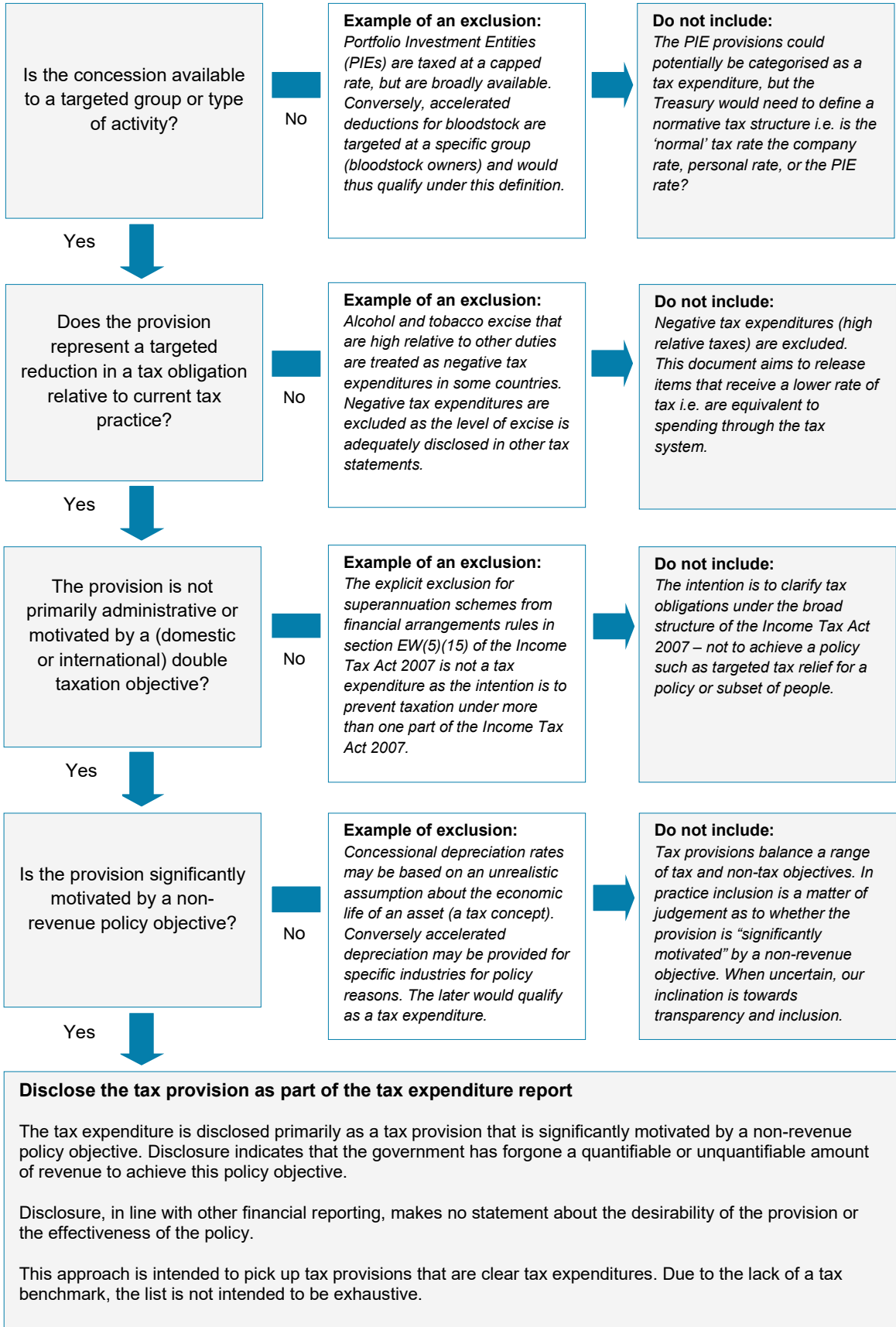
² The stated purpose of the Income Tax Act 2007 is to “define, and impose tax on, net income”. Tax expenditures are not motivated by a desire to raise revenue in the most efficient manner possible, but instead are significantly motivated by non-revenue policy objectives.

Tax expenditures have been categorised into several standard types. The tax expenditure types are summarised in Table 2.

Table 2 – Description of expenditure types

Tax expenditure type	Description
Deduction (permanent)	Deductions allow taxpayers to reduce their taxable income. They can be tax expenditures when they result in less tax being paid compared to a benchmark where the deduction is not allowed. For example, businesses may deduct charitable donations under certain conditions, despite the deduction having no direct connection to income generation. The benchmark assumes deductions must have a direct connection to income generation.
Deduction (timing)	These deductions alter the timing of when deductions can be taken, compared to a standard benchmark. A common example is accelerated depreciation, which allows taxpayers to depreciate assets faster than their economic life. This means less tax is paid in earlier years and more in later years. Because future tax payments are worth less in present value terms, tax is forgone in real terms.
Exemption	Exemptions allow certain income, payments, or transactions to be excluded from taxable activity. These are tax expenditures because the government is not receiving tax revenue compared to the benchmark where these things are taxed.
Deferral	Deferrals delay the point at which income is recognised or tax is payable compared to the benchmark. Under a deferral, tax that would ordinarily be payable in the current period is instead paid in a later period. While the nominal amount of tax may be the same over time, deferrals are tax expenditures because delaying tax reduces its present value.
Tax credit	Tax credits directly reduce a taxpayer’s tax liability. If refundable, they can result in a payment to the taxpayer. These are considered tax expenditures because they reduce the amount of tax collected compared to the benchmark.

Figure 1 – Guiding criteria for inclusion in this disclosure document



Current Tax Expenditures

The following sections list tax expenditures drawn from the Income Tax Act 2007 and Goods and Services Tax Act 1985, as at May 2026. Appropriated cash payments (spending) made through the tax system (for example, Working for Families tax credits³) have also been included in the list. Cash payments made through the tax system do not formally meet a tax expenditure definition but have been included for transparency purposes.

The tax expenditure estimates in this statement are calculated on a revenue forgone basis. This method is consistent with the practice of most OECD countries.

Revenue forgone reflects the amount of tax not collected due to a specific tax treatment, compared to what would have been collected under a standard benchmark. It assumes no change in taxpayer behaviour (i.e., it assumes taxpayers would act the same way if the tax treatment were removed).

These estimates do not show the actual fiscal impact of removing a tax expenditure. In reality, taxpayers are likely to change their behaviour, and the government may introduce alternative policies to achieve similar outcomes. As a result, the net impact on revenue and government finances could be quite different.

The fiscal cost of a small sub-section of tax expenditures with readily accessible data has been measured and provided as a time series (see Table 3). The government does not collect direct data on all tax expenditures as the compliance and administration costs of collecting additional data exceed the value that data might provide. For expenditures which are not regularly measured we have estimated the annual cost at the time the expenditure was last reviewed. Resourcing constraints have meant that we have not been able to provide estimates for all expenditures. Where an earlier estimate was available from the time the tax expenditure was introduced, we have included this estimate. Estimates will be progressively added and/or updated. Each estimate contains a confidence rating. Estimates with low confidence should be considered to provide only an order of magnitude estimate.

Tables 4 and 5 also provide the classification and policy rationale for individual expenditures. These were added initially to the 2017 statement to provide greater transparency, as recommended by the Open Budget Initiative and Transparency International.

³ Comprises the Family tax credit, In-work tax credit, Best Start and the Minimum Family tax credit.

Table 3 – Timeseries for Measured Tax Expenditures and Spending through the Tax System (\$m)

Regularly measured tax expenditures	Income tax years (1 April – 31 March)						
	Value of expenditure 2020-21 (actual)	Value of expenditure 2021-22 (actual)	Value of expenditure 2022-23 (actual)	Value of expenditure 2023-24 (actual)	Value of expenditure 2024-25		Value of expenditure 2025-26 (forecast)
					As at May-2026	Estimated Actual	
Charitable or other public benefit gifts by a company: deduction	27.000	40.000	25.000	33.000	24.000	24.000	24.000
Charitable or other public benefits: tax credit	310.000	328.000	330.000	341.000	351.000	367.000	367.000
Independent earner tax credit	214.000	192.000	176.000	180.000	328.000	331.000	391.000
Māori Authority donations	5.900	4.800	5.4000	7.300	7.600	7.700	7.700

Appropriated spending through the tax system	Description	Fiscal years (1 July – 30 June)					
		Value of expenditure 2020/21 (actual)	Value of expenditure 2021/22 (actual)	Value of expenditure 2022/23 (actual)	Value of expenditure 2023/24 (actual)	Value of expenditure 2024/25 (estimate)	Value of expenditure 2025/26 (forecast)
Family tax credit	Families are entitled to an income tested tax credit or cash payment for children aged 18 years or younger. <i>Section MD 3</i>	2,103.000	2,017.000	2,152.000	2,297.000	2,434.000	2,449.000
In-work tax credit	Families with children 18 years or younger that work the required number of hours per week are entitled to an income tested in-work tax credit. <i>Section MD 10</i>	572.000	506.000	464.000	437.000	550.000	647.000
Minimum Family tax credit	A tax credit may be available to ensure that the annual income (after tax) of a family with dependent children 18 or younger does not fall below the specified threshold (\$26,572 from 1 April 2019). <i>Section ME 1</i>	13.000	13.000	12.000	12.000	11.000	9.000
Best Start payment	Families are entitled to a tax credit for the first year of a child's life. The credit may, under certain conditions, continue to be paid to families with a dependent child until the child turns three years old. <i>Subpart MG</i>	271.000	308.000	321.000	336.000	346.000	327.000

Appropriated spending through the tax system	Description	Fiscal years (1 July – 30 June)					
		Value of expenditure 2020/21 (actual)	Value of expenditure 2021/22 (actual)	Value of expenditure 2022/23 (actual)	Value of expenditure 2023/24 (actual)	Value of expenditure 2024/25 (estimate)	Value of expenditure 2025/26 (forecast)
FamilyBoost tax credit	Families with children 5 years or under and a household income of less than \$45,000 a quarter are entitled to FamilyBoost tax credit. <i>Section MH 3</i>	n/a	n/a	n/a	n/a	51.000	140.000
KiwiSaver tax credit	The KiwiSaver member tax credit is a government contribution that matches eligible member contributions up to an annual cap. <i>Section MK 1-8</i>	916.000	964.000	996.000	1,011.000	1,017.000	556.000
Research and Development tax credit	Eligible entities are entitled to a tax credit of 15% for expenditure on R&D activity. Expenditure has to be primarily in New Zealand and at least \$50,000 (subject to exceptions), and no more than \$120 million. <i>Subpart LY</i>	313.000	473.000	64.000	317.000	532.000	626.000
Interest on income equalisation reserve scheme deposits	See Table 4	6.500	8.400	8.400	8.600	6.600	7.000
Interest on environmental restoration account deposits	See Table 4	1.400	1.500	1.900	4.200	4.100	4.200

Table 4 – Tax Expenditures Included in the Income Tax Act 2007

Tax Expenditure	Sections/ Classification	Explanation	Policy Rationale	Estimate and disclosures
Accelerated depreciation	<i>Sections DO 4-5, 12, DP 3, DZ 17-18, EE 31 -Deduction (timing)</i>	The benchmark is that capital assets are depreciated over their economic life. This expenditure allows businesses to depreciate assets faster than their economic life by uplifting the economic rate of the asset by a factor of 1.2. This reduces taxable income by a greater amount in earlier years (deferring tax payments). This treatment includes most depreciable property (eg, machines and vehicles) and primary sector land improvements. This treatment generally only applies to assets acquired before 20 May 2010 and is no longer available to new assets acquired by businesses.	To encourage investment in capital assets.	No estimate available Tax policy report: Changes to depreciation – Budget 2010
Allowances of the Governor-General	<i>Section CW 16 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of a person. However, allowances and benefits received by the Governor-General and former Governor-Generals under the <i>Governor-General Act 2010</i> are exempt from tax.	Administrative convenience, as the Governor-General's allowance covers both personal and office expenses.	Less than \$20,000 per annum Confidence high Last reviewed 2025 Review of the Civil List Act 1979 (Law Commission report – pages 11-12)
Bloodstock: accelerated deductions	<i>Sections EC 38-48 -Deduction (timing)</i>	The benchmark is that capital assets are depreciated over their economic life. This expenditure allows owners of bloodstock to depreciate their bloodstock faster than their economic life.	To encourage the ownership and breeding of stallions and broodmares.	\$5 million per annum Confidence low Last reviewed 2025 Tax Policy report – Bloodstock write-down rates and GST on export of bloodstock
Bloodstock deductions	<i>Sections EC 47C -Deduction (permanent)</i>	The benchmark is that racing is exempted from income tax except for established bloodstock breeding businesses. The policy allows new investors in qualifying yearlings to claim tax deductions as if they have a bloodstock breeding business.	To encourage the ownership and breeding of stallions and broodmares.	\$3 million per annum Medium confidence Last reviewed 2025 Regulatory impact statement – Proposed changes to bloodstock tax rules

Tax Expenditure	Sections/ Classification	Explanation	Policy Rationale	Estimate and disclosures
Bodies promoting amateur games and sports: exempt income	<i>Section CW 46 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of an entity. However, income derived by a club, society or association is exempt income, providing it is established to promote an amateur game or sport and no funds are used for private pecuniary profit.	To encourage amateur games or sports which have the purpose of promoting physical activity across generations for the general well-being of society.	No estimate available Regulatory impact statement – Amateur sports promoters’ tax exemption and sporting trusts (indirectly related)
Bodies promoting scientific or industrial research: exempt income	<i>Section CW 49 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of an entity. However, income derived by a society or association established mainly to promote or encourage scientific or industrial research is exempt income, providing the society or association is approved by the Royal Society of New Zealand and no funds are used for private pecuniary profit.	To encourage research that is of national interest, and ensure these institutions are on a level playing field with other tax-exempt organisations.	\$1 million per annum Confidence low Last reviewed 2025 Document unavailable
Certain income derived by transitional residents: exempt income	<i>Sections CW 27 and HR 8 -Exemption</i>	The benchmark is that income tax is paid on the worldwide income of New Zealand tax residents. However, new tax residents (both immigrants and returning New Zealanders) can gain a temporary tax exemption for up to four years on most foreign-sourced income.	To reduce the costs to New Zealand businesses associated with recruiting highly skilled and mobile individuals; remove tax barriers that may inhibit international recruitment to New Zealand; and grow development of a competitive and innovative economy.	\$150 million per annum Low/medium confidence Last reviewed 2025 Reducing tax barriers to international recruitment to New Zealand – A government discussion document Tax policy report – Cabinet Committee Paper – Temporary exemption from tax on foreign income for new migrants and certain returning New Zealanders

Tax Expenditure	Sections/ Classification	Explanation	Policy Rationale	Estimate and disclosures
Charitable or other public benefit gifts by a company: deduction	<i>Section DB 41 -Deduction (permanent)</i>	The benchmark is that deductions must have a nexus with the activity of a business. However, a company is allowed a deduction for a charitable or other public benefit gift of cash when made to a donee organisation described in section LD 3(2) or listed in schedule 32 of the Income Tax Act 2007. This deduction is limited by net income.	To incentivise charitable donations.	\$24 million per annum High confidence – regularly measured, refer Table 3 Last reviewed 2026 Tax incentives for giving to charities and other non-profit organisations: a government discussion document Cabinet paper – Tax incentives for giving to charities and other non-profit organisations
Charitable or other public benefit gifts by an individual: tax credit	<i>Subpart LD -Tax credit</i>	An individual who makes a charitable or other public benefit gift is, under certain conditions, allowed a refundable tax credit. This applies to cash donations only and is limited by taxable income.	To incentivise charitable donations.	\$367 million per annum High confidence – regularly measured, refer Table 3 Last reviewed 2026 Tax incentives for giving to charities and other non-profit organisations: a government discussion document Cabinet paper – Tax incentives for giving to charities and other non-profit organisations
Charities: exempt income	<i>Sections CW 41, 42, 43 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of an entity. However, business income, non-business income and charitable bequests are exempt income for registered charitable entities. The exemption does not apply to business income to the extent that the charity carries out its charitable purposes outside New Zealand.	To support the carrying out of charitable purposes and encourage individuals to leave bequests to charities.	No estimate available Taxation and the not-for-profit sector – An officials' issues paper (indirectly related)

Tax Expenditure	Sections/ Classification	Explanation	Policy Rationale	Estimate and disclosures
Community housing: exempt income	<i>Section CW 42B -Exemption</i>	The benchmark is that income tax is paid on the taxable income of an entity. However, income derived by community housing entities is exempt income.	To help promote home ownership for New Zealanders who would not otherwise be able to afford to buy a house. Supports community housing providers that offer pathways to home ownership to low-income households but may no longer be considered charitable entities.	No estimate available Regulatory impact statement – Tax treatment of community housing providers
Community trusts: exempt income	<i>Section CW 52 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of an entity. Income derived by the trustee of a community trust is exempt income.	To assist with providing community benefits for the good of the public.	No estimate available Document unavailable
Defence Force accommodation	<i>Section CE 1D -Exemption</i>	The benchmark is that the market rental value of accommodation provided by an employer to an employee is income. However, the market rental value for certain accommodation provided to Defence Force employees is discounted. This means that difference between market rental value and rental charged to a member of the Defence Force is effectively exempt income.	NZDF staff are required to accept postings anywhere in the country and some housing is on base and under certain restrictions. A discount recognises that accommodation arises from operational requirements and offers little personal benefit.	Approximately \$5 million per annum High confidence Last reviewed 2026 Employee allowances - special report, pages 15-16
Donated trading stock – adverse events	<i>Section GC 1(5)(b) -Exemption</i>	The benchmark is that a person has income when they dispose of trading stock below market value and the disposal has no nexus with income. However, the disposal of trading stock is not income when it is given to a farming business impacted by an adverse event.	To support businesses in the agricultural, farming and fishing sector affected by adverse events.	Unquantifiable as depends on event occurring Document unavailable

Tax Expenditure	Sections/ Classification	Explanation	Policy Rationale	Estimate and disclosures
Donated trading stock	<i>Section GC 1 -Exemption</i>	The benchmark is that a person has income when they dispose of trading stock below market value and the disposal has no nexus with income. However, the disposal of trading stock is not income when it is given to a donee organisation.	To remove the tax-related disincentive to donate trading stock to donee organisations.	Estimate unavailable Regulatory impact statement – Disposals of trading stock at below market value
Environmental restoration accounts: deductions	<i>Subpart EK -Deduction (timing)</i>	The benchmark is that deductions have a nexus with income in the applicable income year. However, persons who carry out environmental restoration activity as outlined in Schedule 19 of the Income Tax Act 2007 may reduce their taxable income in a year by depositing taxable income with Inland Revenue. The schemes allow taxable income to be transferred between years thereby smoothing taxable income.	To facilitate income smoothing; expenditure on environmental restoration may give rise to a tax loss which is of limited value after a business stops generating income.	Estimate unavailable (confidentiality) Tax Information Bulletin – Vol 17, No7 September 2005 – page 24
Environmental restoration accounts: interest	<i>Section EK 6</i>	The scheme pays interest on the balance of an environmental restoration account. The accounts allow site restoration and environmental restoration monitoring costs to be matched against prior business income.	To compensate for the loss of the use of money.	\$4.2 million per annum Appropriated expenditure, refer Table 3 Estimate last reviewed: 2026 Tax Information Bulletin – Vol 17, No7 September 2005 – page 24
Farming business expenditure: accelerated deductions	<i>Sections DO 1-3, DO 10 -Deduction (timing)</i>	The benchmark is that capital assets are depreciated over their economic life. However, certain deductions granted for improvements and enhancements to land for farming can be expensed rather than treated as capital and amortised, eg, fencing.	To increase the productive capacity of existing farms and the quality of the nation's exports.	Estimate unavailable Document unavailable
Film industry expenditure: accelerated deductions	<i>Sections DS 1-4 -Deduction (timing)</i>	The benchmark is that capital assets are depreciated over their economic life. However, expenditure incurred acquiring film rights or film production expenditure can be expensed over a specified time frame.	To encourage the development of the New Zealand screen production industry.	Estimate unavailable Document unavailable

Tax Expenditure	Sections/ Classification	Explanation	Policy Rationale	Estimate and disclosures
New foreign investment fund calculation method (revenue account method)	<i>Sections EX 46B and EX 56B -Deferral</i>	The benchmark is that foreign shares are taxed on a deemed income basis. The new method allows new migrants to be taxed on a realisation basis.	To remove a tax barrier to migration and permanent settlement in New Zealand of highly skilled individuals.	\$1 million per annum Low confidence Last reviewed 2025 Cabinet Paper: Changes to Foreign Investment Fund Rules
Forestry encouragement grant: accelerated deductions	<i>Section DP 5 -Deduction (timing)</i>	The benchmark is that capital assets are depreciated over their economic life. However, forestry expenditure incurred by a person with a forestry encouragement grant can be immediately deducted if it is not grant-related. There are no new grants being issued under this scheme.	To encourage the planting of woodlots and ensure an adequate supply of timber for future needs.	Estimate unavailable Document unavailable
Forestry expenditure: accelerated deductions	<i>Section DP 1 -Deduction (timing)</i>	The benchmark is that forestry expenditure is matched against harvest proceeds (using trading stock or revenue account rules). However, certain expenditures associated with forestry (eg, planting or tending costs) can be immediately expensed.	To encourage the establishment of new forests.	Estimate unavailable Document unavailable
Friendly societies: exempt income	<i>Section CW 44 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of an entity. However, specified income derived by a friendly society is treated as exempt income.	To support friendly societies and credit unions.	Estimate unavailable Document unavailable
Fringe benefit tax exemption for certain public transport fare subsidies	<i>Section CX 19C -Exemption</i>	The benchmark is that benefits provided to employees (other than those provided on business premises) are subject to fringe benefit tax. However, a public transport fare that an employer subsidises mainly for the purposes of an employee travelling between their home and place of work is not a fringe benefit.	To address an inconsistency in the Fringe benefit tax treatment between the different forms of transport used for commuting (employer provided car parks were already largely exempt from FBT). Also, environmentally friendly.	\$11 million per annum Low confidence - the estimate for this expenditure is combined with the tax expenditure below (Fringe benefit tax exemption for certain self-powered and low-powered vehicles and vehicle-share services). Last reviewed 2018 Regulatory impact statement – Fringe benefit tax exemption for public transport

Tax Expenditure	Sections/ Classification	Explanation	Policy Rationale	Estimate and disclosures
Fringe benefit tax exemption for certain self-powered and low-powered vehicles and vehicle-share services	<i>Section CX 19D -Exemption</i>	The benchmark is that benefits provided to employees (other than those provided on business premises) are subject to Fringe benefit tax. However, a bike, electric bike, scooter or electric scooter that an employer provides to an employee for the main purpose of travelling between their home and place of work is not a fringe benefit.	As above, to address an inconsistency in the Fringe benefit tax treatment between the different forms of transport used for commuting.	The estimate for this expenditure is combined with the tax expenditure above (Fringe benefit tax exemption for certain public transport fare subsidies).
Fringe benefit tax: partial exclusion for charities	<i>Section CX 25 -Exemption</i>	The benchmark is that benefits provided to employees of a business are subject to Fringe benefit tax. Generally, fringe benefits provided to employees of charitable organisations when they are carrying out the charitable purposes of the charity are exempt from Fringe benefit tax.	The cost of complying with Fringe benefit tax obligations would be onerous and reduce the funds available for charitable purposes.	\$8 million per annum Low confidence Last reviewed 2025 Taxation and the not-for-profit sector – An officials’ issues paper (pages 21-22)
Funeral Trusts: exempt income	<i>Section CW 45 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of an entity. Interest or a dividend derived by a trustee in a funeral trust is exempt income.	To reduce compliance costs for sickness, accident and death funds that would need to restructure to be recognised as friendly societies.	Estimate unavailable Document unavailable
Herd improvement bodies: exempt income	<i>Section CW 51 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of an entity. Income derived by a herd improvement association, or society established mainly to promote an improvement in New Zealand dairy cattle, is exempt income, providing no funds are used for private pecuniary profit.	Originally, herd improvement bodies were considered of national significance.	\$1 million per annum Medium-high confidence Last reviewed 2025 Document unavailable
Income equalisation schemes: deduction	<i>Subpart EH -Deferral</i>	The benchmark is that income is recognised in the year it is derived. However, persons working in forestry, fishing, or farming entities may reduce their taxable income in a year by depositing taxable income with Inland Revenue, to be taxed in a later year when it is withdrawn.	To facilitate income smoothing.	+/- \$60 million, depends on whether people are depositing or withdrawing from the scheme in any given year. High confidence Last reviewed 2026 Document unavailable

Tax Expenditure	Sections/ Classification	Explanation	Policy Rationale	Estimate and disclosures
Income equalisation schemes: interest	<i>Section EH 6</i>	The scheme pays interest on the balance of the account.	To compensate for the loss of the use of money.	\$7 million per annum Appropriated expenditure, refer Table 3 High confidence Last reviewed 2026 Document unavailable
Income for military or police service in operational area: exempt income	<i>Sections CW 23-24 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of an entity. Specified income derived by members of the New Zealand Defence Force (or the police) serving in an operational area can be treated as exempt income.	To increase equity and reduce the administrative burden across the New Zealand Defence Force and the Police.	Less than \$4 million per annum High confidence Last reviewed: 2026 Tax Information Bulletin Vol 19 No 3 April 2007 – page 68
Income from conducting gaming-machine gambling: exempt income	<i>Section CW 48 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of a person. However, gross gambling proceeds from gaming-machine gambling are exempt income if the person complies with the <i>Gambling Act 2003</i> . Note that turnover is separately taxed, and in the latest year raised \$204 million.	To reduce compliance costs as income is used for authorised purposes, which generally have an income tax exemption.	\$203 million per annum High confidence Last reviewed 2025 Document unavailable
Independent earner: tax credit	<i>Section LC 13 -Tax Credit</i>	The benchmark is that tax liabilities are determined by applying the relevant tax rates to taxable income. However, individuals whose income is between \$24,000 and \$70,000, and who are not receiving certain forms of income, are entitled to a tax credit of \$520. This credit abates once annual income rises above \$66,000.	To improve incentives to participate in the workforce.	\$391 million per annum High confidence – regularly measured, refer Table 3 Last reviewed 2026 Treasury Report: Removing the Independent Earner Tax Credit
Interest on home vendor mortgages: tax credit	<i>Sections LZ 6-8 -Tax Credit</i>	A tax credit may be available for interest from a home vendor mortgage, providing it was approved by the Housing NZ Corporation, on or before 5 August 1982.	To encourage home ownership.	Nil High confidence Last reviewed 2025 Document unavailable

Tax Expenditure	Sections/ Classification	Explanation	Policy Rationale	Estimate and disclosures
Jurors' and witnesses' fees: exempt income	<i>Section CW 26 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of a person. However, fees paid by the Crown to jurors and its witnesses, other than expert witnesses, are exempt income.	To encourage public involvement in law enforcement by increasing the net payment to witnesses. Cost savings for the Ministry of Justice who administer the payments, which outweigh the tax foregone.	\$1.8 million per annum High confidence Last reviewed 2025 Document unavailable
Local and regional promotional bodies: exempt income	<i>Section CW 40 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of an entity. The income derived by a charitable association or society is exempt income if it is primarily established for beautification purposes.	To encourage local and regional beautification/ advertisement.	\$3 million per annum Medium confidence Last reviewed 2026 Document unavailable
Māori Authorities: donations	<i>Section DV 12 -Deduction (permanent)</i>	The benchmark is that deductions must have a nexus with the activity of an entity. However, a Māori authority is allowed a deduction for a cash donation that it makes to a Māori association as defined in the Māori Community Development Act 1962. It is also allowed a deduction for charitable or other public benefit cash gifts. This deduction is limited by net income.	To incentivise charitable donations.	\$7.7 million per annum High confidence – regularly measured, refer Table 3 Last reviewed 2026 Tax incentives for giving to charities and other non-profit organisations: a government discussion document Cabinet paper – Tax incentives for giving to charities and other non-profit organisations

Tax Expenditure	Sections/ Classification	Explanation	Policy Rationale	Estimate and disclosures
Ministers of religion accommodation	<i>Section CE 1E -Exemption</i>	The benchmark is that non-cash benefits, such as accommodation, are valued and taxed as part of taxable income. However, there is cap on the amount used to value the benefit of the accommodation for owned and rental accommodation supplied by religious bodies to their ministers.	Subsidised accommodation enables and encourages ministers, who are generally low wage earners, to better perform their religious duties and provide a service to their communities (often the expectation is parishioners can visit their home).	Estimate unavailable Policy special report – Employee Allowances
Non-profit organisations	<i>Section DV 8 -Deduction (permanent)</i>	The benchmark is that income tax is paid on the taxable income of an entity. However, non-profit organisations are entitled to an income tax deduction for the lesser of \$1,000 and their net income.	To reduce compliance costs.	Estimate unavailable Document unavailable
Non-resident oil rig and seismic vessel operator – tax exemption	<i>Section CW 57 -Exemption</i>	The benchmark is that income derived from services performed in New Zealand is subject to income tax. However, income derived by non-resident operators of oil rigs and seismic vessels is exempt from taxation.	To prevent rig operators leaving New Zealand before 183 days and a separate operator having to come in to finish the job.	Estimate unavailable Regulatory impact statement – Extending tax exemption for non-resident oil rig and seismic vessel operators
Payments of interest post-war credits: exempt income	<i>Section CW 5 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of a person. However, interest derived by a person under section 2 of the <i>Income Tax (Repayment of Post-War Credits) Act 1959</i> of the United Kingdom Parliament is exempt income.	To reduce compliance costs, as interest on post-war credits was already exempt from tax in the UK.	Estimate unavailable Document unavailable
Payments of interest on farm mortgages: exempt income	<i>Section CW 6 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of a person. However, 50 percent of the interest that an individual derives from a mortgage securing a loan made by a seller of a farm is exempt income, if the Rural Banking and Finance Corporation of New Zealand approves the mortgage.	To encourage young farmers.	Nil High confidence Last reviewed 2026 Document unavailable

Tax Expenditure	Sections/ Classification	Explanation	Policy Rationale	Estimate and disclosures
Partial expensing (Investment Boost)	<i>Subpart DI - Deduction (timing)</i>	The benchmark is that capital assets are depreciated over their economic life. This expenditure allows businesses to depreciate assets faster than their economic life by allowing them to deduct 20% of the cost of the asset in the first year. This reduces taxable income by a greater amount in the first year (deferring tax payments). This treatment includes most depreciable property (eg, machines and vehicles) and primary sector land improvements. This treatment generally only applies to assets acquired on or after 22 May 2025.	To encourage investment in capital assets.	\$1.475 billion per annum Medium confidence Last reviewed 2025 Regulatory impact statement – Partial expensing (Investment Boost)
Petroleum mining expenditure: accelerated deduction	<i>Subpart DT, sections EJ 12-20 -Deduction (timing)</i>	The benchmark is that capital assets are depreciated over their economic life. However, development expenditure is written off over an accelerated seven-year period.	To make the New Zealand mining industry more competitive internationally (and similar to the rules in Australia).	Estimate unavailable Officials Consultative paper – Suggested changes to the Petroleum mining expenditure tax rules
Plain clothes allowances	<i>Section CW 17CC -Exemption</i>	The benchmark is that allowances and payments received by employees are subject to income tax. However, in very limited circumstances a plain clothes allowance paid to an employee who is also provided with a uniform can be tax exempt.	To reduce compliance costs. Consistent with longstanding practice.	Estimate unavailable Regulatory Impact Statement: The tax treatment of payments by employers in respect of employee expenditure, and employer-provided accommodation, pages 3-33
Research and Development (R&D) – cashing out tax losses	<i>Subpart MX -tax credit</i>	The benchmark is that tax losses are carried forward and can be offset against taxable income in future years. However, in qualifying circumstances, a company that conducts R&D and incurs tax losses may cash out the tax value of the R&D part of the tax losses. This is repayable against future profits, or in certain other circumstances.	To reduce bias against investment in R&D start-ups arising from the current treatment of tax losses.	\$100 million per annum High confidence Last reviewed 2026 An officials' issue paper – R&D tax losses
Scholarships and bursaries: exempt income	<i>Section CW 36 -Exemption</i>	The benchmark is that income tax is paid on the taxable income of a person. However, any scholarship or bursary payment for attendance at an educational institution is exempt income, except for a basic grant or independent circumstances grant under the <i>Education and Training Act 2020</i> .	To assist education development.	Estimate unavailable Document unavailable

Tax Expenditure	Sections/ Classification	Explanation	Policy Rationale	Estimate and disclosures
TAB and racing clubs: exempt income	<i>Section CW 47 -Exemption</i>	The benchmark is that income derived by an entity is subject to income tax. However, income derived by the New Zealand Racing Board, New Zealand Thoroughbred Racing, Harness Racing New Zealand and the New Zealand Greyhound Racing Association is exempt income. Note that betting turnover is separately taxed.	To support the racing sector.	Estimate unavailable (confidentiality) Document unavailable
Te Pou Tupua	<i>Section CW 40C and the Te Awa Tupua (Whanganui River Claims Settlement) Act 2017 -Exemption</i>	The benchmark is that income derived by an entity is subject to income tax. Income received by Te Pou Tupua is exempt from income tax so long as it is applied for the purposes set out in the <i>Te Awa Tupua (Whanganui River Claims Settlement) Act 2017</i> .	Treaty of Waitangi settlement.	Estimate unavailable (confidentiality) Document unavailable
Te Urewera Board	<i>Section CW 40B and the Te Urewera Act 2014 -Exemption</i>	The benchmark is that income derived by an entity is subject to income tax. Te Urewera Board's income (generally from concessions) is exempt from tax so long as it is applied for the purposes set out in the <i>Te Urewera Act 2014</i> .	Treaty of Waitangi settlement.	Estimate unavailable (confidentiality) Document unavailable
Veterinary services bodies: exempt income	<i>Section CW 50 -Exemption</i>	The benchmark is that income derived by an entity is subject to income tax. Income derived by a veterinary association, club, or society established mainly to promote efficient veterinary services in New Zealand is exempt income, providing no funds are used for private pecuniary profit.	Originally, the bodies were seen to be of national significance.	\$2 million per annum High confidence Last reviewed 2025

Table 5 – Tax Expenditures Included in the Goods and Services Tax Act 1985

Tax Expenditure	Sections/ Classification	Explanation	Policy Rationale	Estimate and disclosures
Input tax (GST) recovered by registered non-profit bodies	<i>Section 20 (3K) - Tax credit</i>	The benchmark is that GST input credits must relate to the making of taxable supplies. However, GST input tax is able to be recovered where the input tax does not factually relate to taxable supplies made by a non-profit body.	Except for input tax relating to exempt supplies, a non-profit body should be able to recover all other input tax whether or not it relates to the making of taxable supplies. This ensures, for example, that input tax can be recovered in relation to donations.	Estimate unavailable A government discussion document on taxation issues relating to charities and non-profit bodies pages 57-59