The Treasury

Budget 2026 Information Release

September 2026

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Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

[1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government

[2] 6(b)(i) - to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government

[4] 6(c) - to avoid prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[7] 6(e)(ii) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the regulation of banking or credit

[12] 7(a)(i) - to avoid prejudice to the security or defence of the self-governing State of the Cook Islands

[13] 7(a)(ii) - to avoid prejudice to the security or defence of the self-governing State of Niue

[14] 7(a)(iii) - to avoid prejudice to the security or defence of Tokelau

[15] 7(a)(iv) - to avoid prejudice to the security or defence of the Ross Dependency

[23] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied

[27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

[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

[40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

[41] 18(d) - information requested is or will soon be publicly available

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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Cabinet

Minute of Decision

Budget 2026 Package: Vote Revenue (IRD-Crown)

On 7 May 2026, Cabinet:

Appropriation Administrator: Inland Revenue Notional for Tax

1 **approved** the Budget initiatives for the above Vote for inclusion in the 2026 Budget package, as listed in the summary table below and detailed in the attached initiative documents:

Summary of initiatives:

Operating Initiatives (Impact on Operating Balance)

		$m - increase/(decrease)				
Initiative ID	**Initiative Name**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
17532	Charities and Not-for-profits - Taxation and Changes to Settings	-	2.410	(11.840)	(15.640)	(15.140)
17527	Company Loans to Shareholders - Taxation Rules	(7.000)	(31.000)	(26.000)	(44.000)	(38.000)
17529	Compliance Activities - Increased Investment - Non-departmental Impact	-	(45.000)	(45.000)	(45.000)	(45.000)
17638	Ending the Final-Year Fees Free Scheme	(15.559)	(89.187)	(179.589)	(230.491)	(262.106)
17528	Foreign Investment Funds - Tax Rule Reforms	4.225	17.100	16.600	17.100	17.500
17530	Non-resident Contractors' Tax - Exemption for Aircraft Asset Leasing	1.050	4.200	4.200	4.200	4.200
17536	Non-resident Contractors' Tax - Modernisation	-	1.000	4.000	4.000	4.000
17533	Research and Development Tax Incentive – Reducing the Cap for Internal Non-Administrative Software Expenditure	-	(7.000)	(29.000)	(29.000)	(34.000)
17542	Tax and Social Policy Work Programme	-	0.740	0.760	0.630	0.510
17604	Research and Development Tax Incentive Amendments	-	5.700	2.850	1.600	1.600
17613	Increasing Tuition Fees - Impacts Related to Student Loans and Final-year Fees Free Payments	-	19.771	24.999	26.410	26.383

		$m - increase/(decrease)				
Initiative ID	**Initiative Name**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
17534	Thin Capitalisation Changes for Foreign-owned New Zealand Banking Groups	-	(3.200)	(13.100)	(14.400)	(14.500)
17541	Thin Capitalisation for Infrastructure Projects - Return of Funding	-	-	-	-	-
17543	Working For Families – Family Scheme Income	-	0.100	0.900	0.900	1.100
Total Operating		**(17.284)**	**(124.366)**	**(250.220)**	**(323.691)**	**(353.453)**

Capital Initiatives (Impact on Debt)

		$m - increase/(decrease)				
Initiative ID	**Initiative Name**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
17638	Ending the Final-Year Fees Free Scheme	-	(0.732)	(4.870)	(12.501)	(23.810)
17613	Increasing Tuition Fees - Impacts Related to Student Loans and Final-year Fees Free Payments	-	(0.128)	(1.114)	(2.662)	(4.723)
Total Capital		**-**	**(0.860)**	**(5.984)**	**(15.163)**	**(28.533)**

Summary of contingency initiative:

Operating Contingency

		$m - increase/(decrease)				
Initiative ID	**Initiative Name**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
17616	Working for Families – Residency Requirements and Information Sharing – Tagged Contingency	-	-	(9.600)	(21.200)	(20.800)
Total Operating		**-**	**-**	**(9.600)**	**(21.200)**	**(20.800)**

2 **noted** that while initiatives in Vote Revenue (IRD-Crown) relate to changes to tax forecasts and forecast appropriations, and therefore will generally have irregular outyears, only the fiscal impact in the forecast period is presented here;

Diana Hawker
Acting Secretary of the Cabinet

Initiative No: 17527

Vote: Revenue (IRD-Crown)

Appropriation Administrator: Inland Revenue Notional for Tax

Title: Company Loans to Shareholders - Taxation Rules

Description: This initiative introduces a new rule to tax loans made by companies to shareholders that remain outstanding six months after the company is removed from the Companies Register.

Appropriation and Revenue Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Operating Balance Impact*	(7.000)	(31.000)	(26.000)	(44.000)	(38.000)
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	**(7.000)**	**(31.000)**	**(26.000)**	**(44.000)**	**(38.000)**

* Unless non-cash, will also impact net core Crown debt.

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Tax Revenue:					
Other Persons	7.000	31.000	28.000	46.000	40.000
Non-Departmental Other Expenses:					
Impairment of Debt and Debt Write-Offs	-	-	2.000	2.000	2.000
Total Operating	**(7.000)**	**(31.000)**	**(26.000)**	**(44.000)**	**(38.000)**

Additional Recommendations

3 **agreed** to tax loans made by companies to shareholders that remain outstanding six months after the company is removed from the Companies Register;

4 **agreed** that the application date of this initiative be 4 December 2025, being the release date of an officials' issues paper that consulted on changing how loans made by companies to shareholders are made;

Initiative No: 17529

Vote: Revenue (IRD-Crown)

Appropriation Administrator: Inland Revenue Notional for Tax

Title: Compliance Activities - Increased Investment - Non-departmental Impact

Description: This initiative accounts for the reduced debt impairment that will result from an increased investment in Inland Revenue's debt compliance activities.

Appropriation Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Operating Balance Impact*	-	(45.000)	(45.000)	(45.000)	(45.000)
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	**-**	**(45.000)**	**(45.000)**	**(45.000)**	**(45.000)**

* Unless non-cash, will also impact net core Crown debt.

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Non-Departmental Other Expenses:					
Impairment of Debt and Debt Write-Offs	-	(45.000)	(45.000)	(45.000)	(45.000)
Total Operating	**-**	**(45.000)**	**(45.000)**	**(45.000)**	**(45.000)**

Additional Recommendation

5 **noted** that this initiative relates to Initiative 17147 in Vote Revenue;

Initiative No: 17528

Vote:	Revenue (IRD-Crown)
Appropriation Administrator:	Inland Revenue Notional for Tax
Title:	Foreign Investment Funds - Tax Rule Reforms
Description:	This initiative reforms the foreign investment fund (FIF) rules to attract and retain capital and talent in New Zealand, by expanding the availability of the revenue account method to all taxpayers, lifting the FIF de minimis to $100,000, from $50,000, expanding access to the attributable FIF income method, and ensuring the 10-year FIF exemptions continue to apply for corporate migration.

Revenue Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Operating Balance Impact*	4.225	17.100	16.600	17.100	17.500
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	**4.225**	**17.100**	**16.600**	**17.100**	**17.500**

* Unless non-cash, will also impact net core Crown debt.

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Tax Revenue:					
Other Persons	(4.225)	(17.100)	(16.600)	(17.100)	(17.500)
Total Operating	**4.225**	**17.100**	**16.600**	**17.100**	**17.500**

Additional Recommendations

6 **agreed** to expand the availability of the revenue account method under the FIF rules to all taxpayers;

7 **agreed** to lift the FIF de minimis threshold to $100,000, from $50,000;

8 **agreed** to expand access to the attributable FIF income method, to ensure the 10-year FIF exemptions continue to apply for corporate migration;

9 **agreed** that the application date of this initiative be 1 April 2026;

Initiative No: 17530

Vote: Revenue (IRD-Crown)

Appropriation Administrator: Inland Revenue Notional for Tax

Title: Non-resident Contractors' Tax - Exemption for Aircraft Asset Leasing

Description: This initiative introduces a permanent automatic exemption from non-resident contractors' tax for the leasing of aircraft (excluding aircraft charters) and aircraft parts, effective from 1 April 2026.

Revenue Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Operating Balance Impact*	1.050	4.200	4.200	4.200	4.200
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	**1.050**	**4.200**	**4.200**	**4.200**	**4.200**

* Unless non-cash, will also impact net core Crown debt.

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Tax Revenue:					
Source Deductions	(1.050)	(4.200)	(4.200)	(4.200)	(4.200)
Total Operating	**1.050**	**4.200**	**4.200**	**4.200**	**4.200**

Additional Recommendations

10 **agreed** to introduce a permanent automatic exemption from non-resident contractors' tax for the leasing of aircraft (excluding aircraft charters) and aircraft parts;

11 **agreed** that the application date of this initiative be 1 April 2026;

Vote:	Revenue (IRD-Crown)
Appropriation Administrator:	Inland Revenue Notional for Tax
Title:	Non-resident Contractors' Tax - Modernisation
Description:	This initiative reduces cross-border tax barriers and compliance cost for businesses by modernising and simplifying the rules for the non-resident contractors' tax, through:

- increasing the non-resident contractors' tax monetary exemption threshold from $15,000 to $75,000;
- implementing a "single-payer view" of the monetary and day-count thresholds;
- excluding certain "low risk" non-resident contractors from the rules, subject to conditions;
- introducing a bespoke non-residents contractors' tax code.

Revenue Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Operating Balance Impact*	-	1.000	4.000	4.000	4.000
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	**-**	**1.000**	**4.000**	**4.000**	**4.000**

* Unless non-cash, will also impact net core Crown debt.

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Tax Revenue:					
Source Deductions	-	(1.000)	(4.000)	(4.000)	(4.000)
Total Operating	**-**	**1.000**	**4.000**	**4.000**	**4.000**

Additional Recommendations

12 **agreed** to increase the non-resident contractors' tax monetary exemption threshold from $15,000 to $75,000;

13 **agreed** to implement a "single-payer view" of the monetary and day-count thresholds;

14 **agreed** to exclude certain "low risk" non-resident contractors from the rules, subject to conditions;

15 **agreed** to introduce a bespoke non-residents contractors' tax code;

16 **agreed** that the application date of this initiative be 1 April 2027;

Initiative No: 17604

Vote:	Revenue (IRD-Crown)
Appropriation Administrator:	Inland Revenue Notional for Tax
Title:	Research and Development Tax Incentive Amendments
Description:	This initiative funds the following amendments to the Research and Development Tax Incentive: expanding eligibility of expenditure incurred by mining businesses; and allowing the Commissioner of Inland Revenue the discretion to accept late filings or amend administrative errors.

Appropriation Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Operating Balance Impact*	-	5.700	2.850	1.600	1.600
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	**-**	**5.700**	**2.850**	**1.600**	**1.600**

* Unless non-cash, will also impact net core Crown debt.

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Non-Departmental Other Expenses:					
Science, Innovation and Technology: R&D Tax Incentive	-	5.700	2.850	1.600	1.600
Total Operating	**-**	**5.700**	**2.850**	**1.600**	**1.600**

Additional Recommendations

17 **noted** that this initiative relates to Initiative 17443 in Vote Revenue;

18 **agreed** to expand expenditure eligible to be claimed under the Research and Development Tax Incentive for mining businesses;

19 **agreed** to provide the Commissioner of Inland Revenue, in administering the Research and Development Tax Incentive, the discretion to accept late filings or amend administrative errors;

20 **noted** that the costs of this initiative are offset by savings realised from reducing the cap on internal non-administrative software expenditure from $25 million to $3 million (Vote Revenue (IRD-Crown), Initiative 17533);

21 **agreed** that this initiative (as it relates to mining expenditure) applies to the 2027-28 and later income years;

22 **agreed** that the application date of this initiative (as it relates to the Commissioner's discretion) be 1 April 2027;

Initiative No: 17533

Vote: Revenue (IRD-Crown)

Appropriation Administrator: Inland Revenue Notional for Tax

Title: Research and Development Tax Incentive - Reducing the Cap for Internal Non-Administrative Software Expenditure

Description: This savings initiative reduces the cap on internal non-administrative software development expenditure eligible for the Research and Development Tax Incentive from $25 million per year to $3 million per year.

Appropriation Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Operating Balance Impact*	-	(7.000)	(29.000)	(29.000)	(34.000)
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	**-**	**(7.000)**	**(29.000)**	**(29.000)**	**(34.000)**

* Unless non-cash, will also impact net core Crown debt.

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Non-Departmental Other Expenses:					
Science, Innovation and Technology: R&D Tax Incentive	-	(7.000)	(29.000)	(29.000)	(34.000)
Total Operating	**-**	**(7.000)**	**(29.000)**	**(29.000)**	**(34.000)**

Additional Recommendations

23 **agreed** to reduce the cap for internal non-administrative software expenditure from $25 million per year to $3 million per year per business;

24 **agreed** that this initiative applies to the 2027/28 and later income years;

25 **noted** that savings from this initiative will also offset other amendments to the Research and Development Tax Incentive, which are Initiative 17604 in Vote Revenue (IRD-Crown) and Initiative 17443 in Vote Revenue;

Vote: Revenue (IRD-Crown)

Appropriation Administrator: Inland Revenue Notional for Tax

Title: Tax and Social Policy Work Programme

Description: This programme of initiatives includes:

- simplifying the motor vehicle rules for Fringe Benefit Tax by applying a category approach for determining the private use of a motor vehicle; and
- improving tax settings to attract and retain migrants by: allowing all natural person taxpayers to elect a functional currency when calculating income on foreign currency arrangements; introducing a new rule to allow migrants subject to double taxation to use a cash basis; and excluding common low-risk foreign currency arrangements to ensure unrealised gains and losses are not taxed inappropriately.

Revenue Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Operating Balance Impact*	-	0.740	0.760	0.630	0.510
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	**-**	**0.740**	**0.760**	**0.630**	**0.510**

* Unless non-cash, will also impact net core Crown debt.

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Tax Revenue:					
Companies	-	0.020	0.070	0.070	0.070
Fringe Benefit Tax	-	(0.060)	(0.250)	(0.250)	(0.250)
Other Persons	-	(0.700)	(0.580)	(0.450)	(0.330)
Total Operating	**-**	**0.740**	**0.760**	**0.630**	**0.510**

Additional Recommendations

26 **agreed** to simplify the Fringe Benefit Tax motor vehicle rules by applying a category approach for determining the private use of a motor vehicle;

27 **agreed** to allow all natural person taxpayers to elect a functional currency when calculating income on foreign currency arrangements;

28 **agreed** to a new rule to allow taxpayers to calculate financial arrangement income on a realisation basis, where that arrangement would otherwise be subject to double taxation;

29 **agreed** to exclude common low-risk foreign currency arrangements from the financial arrangements rules to ensure unrealised gains and losses are not taxed inappropriately;

30 **agreed** that the fiscal impacts of this programme of initiatives will be managed against the Tax Scorecard and do not impact Budget allowances;

31 **agreed** that the application date of this initiative be 1 April 2027;

Initiative No: 17534

Vote:	Revenue (IRD-Crown)
Appropriation Administrator:	Inland Revenue Notional for Tax
Title:	Thin Capitalisation Changes for Foreign-owned New Zealand Banking Groups
Description:	This initiative updates the thin capitalisation threshold for foreign-owned banking groups to protect New Zealand's tax base and align with the Reserve Bank of New Zealand's new prudential capital requirements. The equity threshold for foreign-owned banking groups that include a domestic systemically important bank increases to 12 percent, and for other foreign-owned banking groups it increases to 11 percent.

Revenue Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Operating Balance Impact*	-	(3.200)	(13.100)	(14.400)	(14.500)
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	**-**	**(3.200)**	**(13.100)**	**(14.400)**	**(14.500)**

* Unless non-cash, will also impact net core Crown debt.

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Tax Revenue:					
Companies	-	3.200	13.100	14.400	14.500
Total Operating	**-**	**(3.200)**	**(13.100)**	**(14.400)**	**(14.500)**

Additional Recommendations

32 **agreed** that the equity threshold for foreign-owned banking groups that include a domestic systemically important bank will increase to 12 percent, and for other foreign-owned banking groups it will increase to 11 percent;

33 **agreed** that the application date of this initiative be 1 April 2027;

34 **agreed** that the fiscal impacts of this initiative will be managed against the Tax Scorecard and do not impact Budget allowances;

Initiative No: 17541

Vote:	Revenue (IRD-Crown)
Appropriation Administrator:	Inland Revenue Notional for Tax
Title:	Thin Capitalisation for Infrastructure Projects - Return of Funding
Description:	This initiative returns unused tagged contingency funding, established in Budget 2025, for any changes to the thin capitalisation rules for infrastructure projects.

Additional Recommendations

35 **noted** that in March 2026, the Cabinet Economic Policy Committee approved a drawdown of $42.5 million across the forecast period from the Budget 2025 tagged operating contingency for any changes to the thin capitalisation rules for infrastructure projects, and to the return of the unused contingency of $42.5 million [ECO-26-MIN-0020];

36 **agreed** that the return of $42.5 million unused Budget 2025 tagged operating contingency be allocated against the Budget 2026 operating allowance;

Initiative No: 17543

Vote: Revenue (IRD-Crown)

Appropriation Administrator: Inland Revenue Notional for Tax

Title: Working For Families - Family Scheme Income

Description: This initiative simplifies the Working for Families scheme, in turn improving the delivery of income support payments administered through the tax system. Changes aim to make it easier for families to apply for the scheme, reduce integrity risks during the application process, and minimise the need for manual reviews and adjustments of payments. This will make the Working for Families process more accurate and increase confidence in families to move into work, knowing they will be supported without incurring debt.

Appropriation Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Operating Balance Impact*	-	0.100	0.900	0.900	1.100
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	**-**	**0.100**	**0.900**	**0.900**	**1.100**

* Unless non-cash, will also impact net core Crown debt.

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Benefits or Related Expenses:					
Best Start Tax Credit (PLA)	-	-	0.100	0.100	0.100
Family Tax Credit (PLA)	-	0.100	0.700	0.700	0.800
In-Work Tax Credit (PLA)	-	-	0.100	0.100	0.200
Total Operating	**-**	**0.100**	**0.900**	**0.900**	**1.100**

Additional Recommendations

37 **agreed** to remove the following adjustments from the definition of family scheme income, which is used to determine Working for Families entitlements:

37.1 depreciation recovered on the sale of a building used in business and/or rental activity;

37.2 retirement savings scheme contributions;

37.3 income from superannuation portfolio investment entities;

37.4 pensions from a superannuation fund and certain life insurance annuities;

37.5 distributions from superannuation schemes (if the current employer has made contributions);

37.6 distributions from retirement saving schemes (if the person is not eligible for New Zealand Superannuation at the time of the distribution);

37.7 an overseas pension that is exempt income;

37.8 salary and wages under international agreements that are tax exempt income;

37.9 trust distributions that are not beneficiary income and the recipient is not the settlor;

37.10 main income equalisation account deposits;

37.11 main income equalisation account refunds;

37.12 employer-provided motor vehicles with salary sacrifice;

37.13 vouchers and other short-term charge facilities, such as supermarket vouchers or Prezzy cards (more than $1,200; or 5 percent of salary or wages);

38 **agreed** to retain the “other payments” adjustments to family scheme income with an increased de minimis of $8,000;

39 **agreed** to introduce an empowering provision to add, remove or alter family scheme income adjustments through an Order in Council;

40 **agreed** that these changes will have an application date of 1 April 2027;

Vote:	Revenue (IRD-Crown)
Appropriation Administrator:	Inland Revenue Notional for Tax
Title:	Working for Families - Residency Requirements and Information Sharing - Tagged Contingency
Description:	This savings initiative simplifies the Working for Families residency requirements to improve the accuracy of payments and customer debt outcomes. This initiative also proposes improved information sharing between Inland Revenue and the New Zealand Customs Service.

Tagged Contingency

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Operating Contingency	-	-	(9.600)	(21.200)	(20.800)
Capital Contingency	-	-	-	-	-
Total	**-**	**-**	**(9.600)**	**(21.200)**	**(20.800)**

Additional Recommendations

41 **noted** this initiative relates to Initiative 17617 in Vote Customs;

42 **agreed** to remove the tax residence requirement for either a principal caregiver or a dependent child, and instead require both the principal caregiver and dependent child to be physically present and ordinarily resident in New Zealand;

43 **agreed** that families who otherwise live in New Zealand should continue to be eligible for Working for Families for up to six weeks while they are overseas;

44 **agreed** that in the following specified circumstances, families should be exempt from the six-week rule and should continue to be eligible for Working for Families for longer periods while overseas:

44.1 overseas in the service of the New Zealand Government (for example, New Zealand Defence Force);

44.2 natural disaster (either in New Zealand or internationally) preventing or delaying travel;

44.3 death, serious illness, or serious injury of the person or a family member;

44.4 overseas seeking medical treatment not available in New Zealand;

44.5 custody or criminal proceeding involving the person (including as a witness);

44.6 for the dependent child, absences related to primary or secondary schooling (for example, student exchange or boarding school);

44.7 other global or regional shocks or events that may prevent or delay travel, including war, political or social unrest, and industrial action, provided the travel delay is outside of the person's control (noting that the exemption would not apply if the person started their travel during the event or is participating in the unrest or action);

45 **agreed** that these changes will have an application date of 1 April 2027;

46 **authorised** the Minister of Revenue and the Minister of Customs jointly to progress work on the Approved Information Sharing Agreement;

47 **agreed** to establish a negative tagged operating contingency associated with Vote Revenue of up to the above amounts to provide for the Approved Information Sharing Agreement and the changes to the residency requirements;

48 **authorised** the Minister of Finance and the Minister of Revenue jointly to draw down the negative tagged operating contingency established above, subject to final Cabinet decisions on the Approved Information Sharing Agreement between Inland Revenue and the New Zealand Customs Service;

49 **agreed** that the expiry date for the above tagged contingency be 31 March 2027;

Initiative No: 17532

Vote:	Revenue (IRD-Crown)
Appropriation Administrator:	Inland Revenue Notional for Tax
Title:	Charities and Not-for-profits - Taxation and Changes to Settings
Description:	This initiative provides changes for the charities and not-for-profit sector, by: • introducing a donation claim limit of $100,000 per annum, providing a maximum donation tax credit of $33,333; • allowing membership subscriptions to not-for-profits to remain non-taxable; • increasing the effective tax-free threshold for taxable not-for-profits to $10,000; • allowing in-year donation tax credit refunds in certain circumstances; • allowing donors the option of transferring their donation tax credit directly to a charity; • providing not-for-profits with the option to treat honoraria as salary or wages; • introducing integrity measures for trust income allocations to tax exempt beneficiaries; • removing tax exemptions for non-resident charities.

Revenue Changes

	$m - increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Operating Balance Impact*	-	2.410	(11.840)	(15.640)	(15.140)
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	**-**	**2.410**	**(11.840)**	**(15.640)**	**(15.140)**

* Unless non-cash, will also impact net core Crown debt.

	$m - increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Tax Revenue:					
Companies	-	(0.900)	(2.650)	(0.300)	(0.800)
Other Persons	-	(1.500)	14.500	15.800	15.800
Withholding Taxes	-	(0.010)	(0.010)	0.140	0.140
Total Operating	**-**	**2.410**	**(11.840)**	**(15.640)**	**(15.140)**

Additional Recommendations

50 **agreed** to introduce a donation claim limit of $100,000 per annum, providing a maximum donation tax credit of $33,333;

51 **agreed** to increase the effective tax-free threshold for taxable not-for-profits to $10,000;

52 **agreed** to allow in-year donation tax credit refunds in certain circumstances;

53 **agreed** to allow donors the option of transferring their donation tax credit directly to a charity;

54 **agreed** to provide not-for-profits with the option to treat honoraria as salary or wages;

55 **agreed** to introduce integrity measures for trust income allocations to tax-exempt beneficiaries;

56 **agreed** to remove tax exemptions for non-resident charities;

57 **noted** that the Commissioner of Inland Revenue has issued an interpretation that membership subscriptions to not-for-profits are taxable under existing law and, as such, tax revenue forecasts have been increased;

58 **agreed** to a legislative amendment to allow membership subscriptions to not-for-profits to remain non-taxable;

59 **agreed** to manage the cost of the legislative amendment in paragraph 58 above outside of the operating allowance, which will cancel out the increased tax revenue described in paragraph 57 above and ensure this amendment is fiscally neutral;

60 **noted** the resulting impact on the Budget 2026 operating allowance below:

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Impact on Budget 2026 Operating Allowance	-	1.610	(15.040)	(18.740)	(18.640)
Impact on the Budget 2026 Capital Allowance	-	-	-	-	-
No Impact	-	-	-	-	-
Total	**-**	**1.610**	**(15.040)**	**(18.740)**	**(18.640)**

Initiative No: 17613

Vote: Revenue (IRD-Crown)

Appropriation Administrator: Inland Revenue Notional for Tax

Title: Increasing Tuition Fees - Impacts Related to Student Loans and Final-year Fees Free Payments

Description: This initiative accounts for the impact on student loans and final-year Fees Free payments of enabling tertiary education providers to increase tuition fees for learners by up to 6 percent.

Appropriation and Revenue Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Operating Balance Impact*	-	19.771	24.999	26.410	26.383
Net Core Crown Debt Impact Only	-	(0.128)	(1.114)	(2.662)	(4.723)
No Impact	-	-	-	-	-
Total	**-**	**19.643**	**23.885**	**23.748**	**21.660**

* Unless non-cash, will also impact net core Crown debt.

Appropriation Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Non-Departmental Other Expenses:					
Final-year Fees Free Payments	-	-	0.840	2.339	2.608
Initial Fair Value Write-Down Relating to Student Loans	-	20.050	25.530	26.660	27.645
Total Operating	**-**	**20.050**	**26.370**	**28.999**	**30.253**

Revenue Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Non-Tax Revenue:					
Interest on Impaired Student Loans	-	0.279	1.371	2.589	3.870
Total Revenue	**-**	**0.279**	**1.371**	**2.589**	**3.870**
Total Operating	**-**	**(0.279)**	**(1.371)**	**(2.589)**	**(3.870)**

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Capital Receipts					
Student Loans – Receipts	-	0.128	1.114	2.662	4.723
Total Capital	**-**	**(0.128)**	**(1.114)**	**(2.662)**	**(4.723)**

Additional Recommendations

61 **noted** that this initiative relates to Initiative 17236 in Vote Tertiary Education and Initiative 17614 in Vote Social Development;

62 **noted** that:

62.1 the operating and capital impacts of student loan lending that is expected to be repaid are considered neutral for fiscal management purposes as the impact on the operating balance and net core Crown debt is broadly neutral over time;

62.2 as a result, fiscal impacts related to student loan lending that is expected to be repaid are typically managed outside Budget allowances, and therefore flow through directly to the operating balance and net core Crown debt;

63 **noted** that in April 2024, Cabinet agreed that changes to final-year Fees Free expenditure should be managed against Budget allowances [CAB-24-MIN-0148.81];

64 **noted** that:

64.1 the lending component relating to final-year Fees Free is not expected to be repaid;

64.2 it is therefore written down by 100 percent and does not generate interest unwind or repayments and as such, is not broadly neutral over time;

64.3 as a result, the component of the initial fair value write-down relating to final-year Fees Free lending is managed against Budget allowances;

65 **noted** that the final-year Fees Free payments are also managed against Budget allowances;

66 **noted** the impact on Budget 2026 allowances below:

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Impact on Budget 2026 Operating Allowance	-	4.156	8.180	11.063	12.194
Impact on the Budget 2026 Capital Allowance	-	-	-	-	-
No Impact	-	-	-	-	-
Total	**-**	**4.156**	**8.180**	**11.063**	**12.194**

Initiative No: 17638

Vote: Revenue (IRD-Crown)

Appropriation Administrator: Inland Revenue Notional for Tax

Title: Ending the Final-Year Fees Free Scheme

Description: This initiative accounts for the impact on student loans and final-year Fees Free payments with ending the final-year Fees Free scheme. The final-year Fees Free scheme will close at the end of 2026 and eligible learners who completed a qualification in 2026 will have 12 months following completion to claim their fees, up to 31 December 2027.

Appropriation and Revenue Changes

	$m - increase/(decrease)				
	2025/26	**2027/28**	**2028/29**	**2028/29**	**2029/30 & Outyears**
Operating Balance Impact*	(15.559)	(89.187)	(179.589)	(230.491)	(262.106)
Net Core Crown Debt Impact Only	-	(0.732)	(4.870)	(12.501)	(23.810)
No Impact	-	-	-	-	-
Total	**(15.559)**	**(89.919)**	**(184.459)**	**(242.992)**	**(285.916)**

* Unless non-cash, will also impact net core Crown debt.

Appropriation Changes

	$m - increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Non-Departmental Other Expenses:					
Final-year Fees Free Payments	-	(1.606)	(44.366)	(64.757)	(72.285)
Initial Fair Value Write-Down Relating to Student Loans	(0.888)	(85.615)	(127.835)	(150.772)	(165.632)
Impairment of Debt Relating to Student Loans	(14.674)	-	-	-	-
Total Operating	**(15.562)**	**(87.221)**	**(172.201)**	**(215.529)**	**(237.917)**

Revenue Changes

	$m - increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Non-Tax Revenue:					
Interest on Impaired Student Loans	0.037	1.966	7.388	14.962	24.189
Total Revenue	**0.037**	**1.966**	**7.388**	**14.962**	**24.189**
Total Operating	**(0.037)**	**(1.966)**	**(7.388)**	**(14.962)**	**(24.189)**

	$m - increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Capital Receipts					
Student Loans – Receipts	-	0.732	4.870	12.501	23.810
Total Capital	**-**	**(0.732)**	**(4.870)**	**(12.501)**	**(23.810)**

Additional Recommendations

67 **noted** that:

67.1 the operating and capital impacts of student loan lending that is expected to be repaid are considered neutral for fiscal management purposes as the impact on the operating balance and net core Crown debt is broadly neutral over time;

67.2 as a result, fiscal impacts related to student loan lending that is expected to be repaid are typically managed outside Budget allowances, and therefore flow through directly to the operating balance and net core Crown debt;

68 **noted** that:

68.1 the lending component relating to final-year Fees Free is not expected to be repaid;

68.2 it is therefore written down by 100 percent and does not generate interest unwind or repayments and, as such, is not broadly neutral over time;

68.3 as a result, the savings from the lending component relating to final-year Fees Free is managed against Budget allowances;

69 **noted** that this initiative generates forecast savings against the Budget operating allowance of $328.359 million per annum (which is calculated over a 10-year period because the cost of policy increases materially in the outyears);

70 **noted** that the Minister of Revenue will seek to make legislative changes to remove relevant clauses relating to the administration of the final-year Fees Free scheme from the Student Loan Scheme Act 2011 and Tax Administration Act 1994 once all existing claims have been finalised, and no further claims can be made under the scheme;

71 **noted** that administrative costs for disestablishing the final-year Fees Free scheme for Vote Revenue will be self-funded, and that costs for Vote Tertiary Education and Vote Social Development are reflected in Initiative 17356 in Vote Tertiary Education;

72 **noted** that this initiative relates to Initiative 17342 in Vote Education, Initiative 17630 and the Foundation Education Subsidy component of Initiative 17236 in Vote Tertiary Education, and Initiative 17588 in Vote Māori Development.