The Treasury

Budget 2026 Information Release

September 2026

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Information Withheld

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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Vote	Revenue (Appropriation Minister is Science, Innovation and Technology)
Initiative ID	N/A
Initiative Title	Research and Development Tax Incentive – options for invitations
Contact details	Sym Pandey – Senior Analyst [39] John Marney – Manager
Issue / advice sought	This updates you on the work to improve the RDTI commissioned by Innovation, Technology and Science Ministers. It also seeks your decision on which options you would like to invite into the Budget process.
Treasury advice	**Background and current status of work** Going for Growth: Innovation, Technology and Science (ITS) Ministers asked IRD and MBIE to explore fiscally positive or neutral options to enhance the RDTI, that also increase value for money, ensure the RDTI supports genuine and high-quality R&D, and reduce compliance burdens for businesses. IRD and MBIE provided advice in November to the Minister of Revenue and Minister of SIT on potential changes to the RDTI. This included savings, operational improvements, and mechanisms for targeting. Both Ministers wish to mostly maintain the RDTI but expressed interest in progressing the following adjustments (which together would cost $4.3 million p.a.): • Expanding the eligible activities to include mining, • Implementing in year payments, and • Providing the Commissioner of Inland Revenue discretion to accept late filing of claims. [33] **Deciding what to invite into the Budget 2026 process** The two key decisions to be made at this stage are: (i) which RDTI savings options to invite into the Budget process, and (ii) whether to also invite the adjustments proposed by portfolio ministers into the process. The list of options is outlined below. At Fiscal Matters on Monday 26 January, you indicated you were comfortable with our recommendation for a broad invite for savings options. Draft letters reflect this. [33]

Savings from excluding or reducing non-administrative internal software expenditure

Under current RDTI settings, administrative software activities (e.g., HR or payroll systems) are excluded, while non-administrative internal software R&D is subject to a $25 million cap. Evidence on the economic impacts of non-administrative internal software R&D is limited. International literature suggests that the economic benefits of this type of R&D are generally lower compared to other forms of R&D. On balance, we consider savings could be achieved without significant negative economic implications by excluding this expenditure or reducing the cap.

Savings from excluding overseas expenditure

The current RDTI settings allow firms to allocate up to 10% of their total claim to overseas expenditure, provided it supports a primary R&D activity in New Zealand. This allowance reflects the commercial realities of undertaking R&D in New Zealand, where low business R&D investment and distance from international markets constrain the availability of expertise and capabilities. As a result, the allowance supports firms to retain their broader activities in New Zealand.

On the other hand, this setting could be seen as not directly supporting domestic R&D or generating local spillover benefits. The allowance also primarily benefits larger firms, which tend to be less responsive to tax credits. On balance, while excluding overseas expenditure may result in greater negative economic impacts than other savings options, we recommend it is included for consideration by Budget Ministers.

Portfolio Ministers' proposed adjustments

The adjustments proposed by portfolio Ministers may lead to a modest increase in uptake of the scheme. However, these changes do not align with the objectives set by ITS Ministers. They are unlikely to enhance value for money, ensure the RDTI supports high-quality R&D, or reduce the RDTI's compliance burden. We recommend you do not invite these options. However, we note that as long as savings are also progressed, you could choose to accept these options and still receive net savings from the RDTI.

Treasury recommendation

Option	Fiscal impact ($m, p.a.)	Decision
[33]		*Invite (recommended) / Do not invite*
Savings from excluding or reducing non-administrative internal software expenditure	(~30 million)	*Invite (recommended) / Do not invite*
Savings from excluding overseas expenditure	(~12.5 million)	*Invite (recommended) / Do not invite*
Portfolio Ministers' proposed adjustments (mining activities, in year payments and, providing commissioner discretion to accept late filings)	~4.3 million	*Invite / Do not invite (recommended)*