

Departmental Disclosure Statement

Taxation (Budget Measures) Bill (No 2)
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The departmental disclosure statement for a government Bill seeks to bring together in one place a range of information to support and enhance the Parliamentary and public scrutiny of that Bill.

It identifies:

- the general policy intent of the Bill and other background policy material;
- some of the key quality assurance products and processes used to develop and test the content of the Bill;
- the presence of certain significant powers or features in the Bill that might be of particular Parliamentary or public interest and warrant an explanation.

This disclosure statement was prepared by Inland Revenue.

Inland Revenue certifies that, to the best of its knowledge and understanding, the information provided is complete and accurate at the date of finalisation below.

16 May 2025

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Part One: General Policy Statement

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

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

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

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

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

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

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

Investment Boost

The Bill introduces Investment Boost, a partial expensing regime that aims to lift capital investment and increase productivity. Investment Boost will achieve this by allowing businesses to immediately deduct 20% of the cost of qualifying assets, increasing their tax deductions in the year they acquire the asset.

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

KiwiSaver reforms

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

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

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

- Increasing contribution rates for both employers and employees from 3% to 3.5% from 1 April 2026, and then to 4% from 1 April 2028.

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

Working for Families changes

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

Part Two: Background Material and Policy Information

Published reviews or evaluations

2.1. Are there any publicly available inquiry, review or evaluation reports that have informed, or are relevant to, the policy to be given effect by this Bill?	NO

Relevant international treaties

2.2. Does this Bill seek to give effect to New Zealand action in relation to an international treaty?	NO

Regulatory impact analysis

2.3. Were any regulatory impact statements provided to inform the policy decisions that led to this Bill?	YES
<p>Three regulatory impact statements were prepared and are available at: https://www.taxpolicy.ird.govt.nz/publications/2025/ria-taxation-budget-measures-bill-no-2 https://www.regulation.govt.nz/our-work/regulatory-impact-statements/</p> <ul style="list-style-type: none">• Partial expensing (Investment Boost), 4 April 2025.• Reforms to KiwiSaver, 8 April 2025.• Increase to the Working for Families abatement threshold, 4 April 2025.	

2.3.1. If so, did the RIA Team in the Ministry for Regulations provide an independent opinion on the quality of any of these regulatory impact statements?	NO
<p>The regulatory impact statements for Partial expensing (Investment Boost), KiwiSaver, and Increase to the Working for Families abatement threshold did not meet the threshold for requiring an independent opinion on their quality.</p>	

2.3.2. Are there aspects of the policy to be given effect by this Bill that were not addressed by, or that now vary materially from, the policy options analysed in these regulatory impact statements?	NO

Extent of impact analysis available

2.4. Has further impact analysis become available for any aspects of the policy to be given effect by this Bill?	NO

2.5. For the policy to be given effect by this Bill, is there analysis available on:	
(a) the size of the potential costs and benefits?	YES
(b) the potential for any group of persons to suffer a substantial unavoidable loss of income or wealth?	NO
The regulatory impact statements listed under question 2.3 provide analysis on the size of the potential costs and benefits for the policy items included in the Bill.	

2.6. For the policy to be given effect by this Bill, are the potential costs or benefits likely to be impacted by:	
(a) the level of effective compliance or non-compliance with applicable obligations or standards?	NO
(b) the nature and level of regulator effort put into encouraging or securing compliance?	NO

Part Three: Testing of Legislative Content

Consistency with New Zealand's international obligations

3.1. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with New Zealand's international obligations?
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No specific issues relevant to international obligations were identified in the development of the policies in this Bill. As such, there have been no formal steps to determine whether the policies to be given effect by this Bill are consistent with New Zealand's international obligations.

Consistency with the government's Treaty of Waitangi obligations

3.2. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with the principles of the Treaty of Waitangi?

No specific issues were identified in the Bill that may have implications for the rights and interests of Māori protected by the Treaty of Waitangi. As such, no formal steps have been taken to determine whether the policies to be given effect by this Bill are consistent with the principles of the Treaty of Waitangi.

Consistency with the New Zealand Bill of Rights Act 1990

3.3. Has advice been provided to the Attorney-General on whether any provisions of this Bill appear to limit any of the rights and freedoms affirmed in the New Zealand Bill of Rights Act 1990?	YES
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Advice provided to the Attorney-General by the Ministry of Justice, or a section 7 report of the Attorney-General, is generally expected to be available on the Ministry of Justice's website upon introduction of a Bill. Such advice, or reports, will be available on the Ministry's website at https://justice.govt.nz/justice-sector-policy/constitutional-issues-and-human-rights .
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Offences, penalties and court jurisdictions

3.4. Does this Bill create, amend, or remove:	
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(a) offences or penalties (including infringement offences or penalties and civil pecuniary penalty regimes)?	NO
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(b) the jurisdiction of a court or tribunal (including rights to judicial review or rights of appeal)?	NO
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The Bill does not create or remove offences or penalties. However, existing penalties in the Tax Administration Act 1994 that apply to other tax types and social policy measures may apply where appropriate.
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3.4.1. Was the Ministry of Justice consulted about these provisions?	NO
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The standard penalties in the Tax Administration Act 1994 that apply to taxes and social policy measures Inland Revenue is responsible for administering will apply, as a matter of course, to the measures. No modifications to these penalties are being made. The Ministry of Justice was not consulted about the penalties as these are standard provisions that apply broadly to taxes and social policy measures administered by Inland Revenue.
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Privacy issues

3.5. Does this Bill create, amend or remove any provisions relating to the collection, storage, access to, correction of, use or disclosure of personal information?	NO

External consultation

3.6. Has there been any external consultation on the policy to be given effect by this Bill, or on a draft of this Bill?	NO

Other testing of proposals

3.7. Have the policy details to be given effect by this Bill been otherwise tested or assessed in any way to ensure the Bill's provisions are workable and complete?	YES
All proposals in the Bill have been reviewed by internal operational subject matter experts under Inland Revenue's standard process for assessing the administrative impacts of any new policy initiatives and ensuring they are workable and complete. This involves assessing whether systems need to be changed and, if so, whether formal testing needs to be carried out.	

Part Four: Significant Legislative Features

Compulsory acquisition of private property

4.1. Does this Bill contain any provisions that could result in the compulsory acquisition of private property?	NO
Given the nature of tax, this Bill does contain provisions that could result in the compulsory acquisition of private property. However, for the purposes of this statement, the answer is “No” as per the scope of this question explained in pages 50 and 51 of the Disclosure Statements for Government Legislation: Technical Guide for Departments (June 2013).	

Charges in the nature of a tax

4.2. Does this Bill create or amend a power to impose a fee, levy or charge in the nature of a tax?	NO
Given this Bill is amending tax legislation, it does contain provisions that create or amend a power to impose a charge that is a tax. However, for the purposes of this statement, the answer is “No” as per the scope of this question explained in pages 53 and 54 of Disclosure Statements for Government Legislation: Technical Guide for Departments (June 2013).	

Retrospective effect

4.3. Does this Bill affect rights, freedoms, or impose obligations, retrospectively?	NO

Strict liability or reversal of the usual burden of proof for offences

4.4. Does this Bill:	
(a) create or amend a strict or absolute liability offence?	NO
(b) reverse or modify the usual burden of proof for an offence or a civil pecuniary penalty proceeding?	NO

Civil or criminal immunity

4.5. Does this Bill create or amend a civil or criminal immunity for any person?	NO

Significant decision-making powers

4.6. Does this Bill create or amend a decision-making power to make a determination about a person’s rights, obligations, or interests protected or recognised by law, and that could have a significant impact on those rights, obligations, or interests?	NO

Powers to make delegated legislation

4.7. Does this Bill create or amend a power to make delegated legislation that could amend an Act, define the meaning of a term in an Act, or grant an exemption from an Act or delegated legislation?	NO

4.8. Does this Bill create or amend any other powers to make delegated legislation?	NO

Any other unusual provisions or features

4.9. Does this Bill contain any provisions (other than those noted above) that are unusual or call for special comment?	YES
<p>The proposed reforms to KiwiSaver include a limited and temporary protection for non-compliance with financial markets legislation when the non-compliance results from the provisions in the Bill containing the changes discussed above. This recognises that KiwiSaver providers may require time to comply with the proposals and update their product disclosure statements to reflect the changes to contribution rates and eligibility for the government contribution.</p> <p>Under the proposals, non-compliance relating to the relevant provisions of the Bill would be ignored provided it did not continue on or after 1 November 2025. Non-compliance relating to a disclosure document under the Financial Markets Conduct Act 2013 would be ignored provided it did not continue on or after 1 January 2026.</p>	