

TAXING TIMES

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Ph (09) 309 4395

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Payroll

From 1 April 2026, the minimum wage will increase from \$23.50 to \$23.95 per hour. In addition, the minimum KiwiSaver employer and employee contribution rates will rise from 3% to 3.5% and then increase again to 4% from 1 April 2028. Employees could apply for a temporary contribution rate reduction through MyIR, from 1 February 2026, to remain at 3%. If approved, the reduced rate can apply for a period of 3 months (92 days) up to 12 months, and new applications can be made. Employers may also choose to match the temporary reduced rate. Once the temporary rate expires, Inland Revenue will notify the employer.

ACC

The 10% “no claim discount” has been discontinued from 1 April 2026. At the same time, the ACC Earner’s Levy rate increases from \$1.67 to \$1.75 per \$100. ACC will also start charging interest and penalties on ACC levies paid late or are being paid in instalments.

Family Payments/Working for Families

From 1 April 2026, the Best Start tax credit, for children born on or after that date, will be income tested on family income. The weekly payment of \$77 is reduced when the family income exceeds \$79,000.

The abatement threshold for Working for Families payments will increase from \$42,700 to \$44,900.

GST treatment of short stay accommodation

Thinking of renting your bach or holiday home to cover rates and utility bills? Inland Revenue has issued an interpretation statement which outlines the GST treatment of short-stay accommodation and follows the lifecycle of a hosting activity from registration through to sale or deregistration. Key points from the guidance include:

- Short-stay accommodation refers to accommodation provided for **four weeks or less** where the property is not the guest’s principal place of residence. Such accommodation is generally a taxable supply for GST purposes, unlike residential rental of a dwelling which is exempt. It covers

arrangements made both directly and through electronic marketplaces such as Airbnb.

- A host must determine whether they are carrying on a taxable activity, which depends on whether the activity is **continuous or regular**. Factors include occupancy levels, advertising, availability of the property, and the host’s commitment to operating the activity. Occasional or one-off rentals are unlikely to qualify.
- Hosts must register for GST if taxable supplies exceed \$60,000 in a 12-month period, although voluntary registration is possible. Registration allows hosts to claim GST on related expenses but also requires GST to be returned on income and compliance with filing obligations.
- Where bookings occur through electronic marketplaces such as Airbnb, the marketplace operator generally accounts for the GST, and non-registered hosts may receive a flat-rate credit.
- **Importantly**, if a property used for short-stay accommodation is sold or GST registration is cancelled, GST output tax may be payable on the value of the property.

Proposed Capital Gains Tax (CGT)

Late last year, news was leaked that the New Zealand Labour Party was proposing a 28% capital gains tax (CGT) on profits from the sale of investment properties (residential and commercial) to take effect from 1 July 2027. Key points to note:

Targeted Assets: only investment properties, including residential and commercial, sold after 1 July 2027, so technically, not a capital gains tax but a ‘property (realty) tax’.

Exemptions: family home (residence), farms, KiwiSaver, shares, business assets, inheritances, personal items.

Tax Rate: a flat 28% tax on the profit (capital gain) made between purchase and sale.

Purpose: intended to fund improvements in the health system, specifically three free GP visits per year for every New Zealander.

Implementation: It replaces the existing "bright-line test" for property, moving towards a broader, long-term tax on investment gains.

More questions than answers: how assets will be valued on 1 July 2027; which expenses will be deductible; will capital losses be deductible or 'ring fenced' (heads they win, tails you lose), availability of roll-over relief; what about entities currently enjoying income tax exemptions (think certain charities, local authorities, and public authorities)?

Employment Relations Amendment Act 2026

The Act introduces major updates to employment law, aiming to improve clarity and reduce disputes. New employees are able to sign individual employment agreements instead of having to start on a collective agreement for the first 30 days. A new contractor gateway test clarifies when a worker is a genuine contractor, reducing uncertainty for both workers and employers.

A key change is the high-income dismissal threshold, preventing employees earning \$200,000 or more from bringing unjustified dismissal claims under new agreements unless both parties opt in. Remedies in personal grievance cases must also be reduced or removed when the employee's actions contributed to the problem. Existing high-income employees have 12 months to adjust their employment terms.

Additional related updates include pay transparency protections (prohibiting pay-secrecy clauses) and the ongoing Restraint of Trade Amendment Bill, which could limit enforceable restraints for employees, earning below roughly \$130,000.

Employers should review policies, contractor arrangements, and HR procedures to ensure compliance.

Employment Relations Amendment Act 2026 – Summary Table

Key Change	Summary	Impact
Removal of 30-day rule	New hires can start on individual agreements.	More hiring flexibility.
Contractor gateway test	Defines when a worker is a contractor.	Greater certainty for contractor engagements.
High-income dismissal threshold	Employees earning \$200k+ cannot claim unjustified dismissal unless opted in.	Reduced dismissal risk for employers.
Reduced remedies for misconduct	Remedies must be reduced or removed if employee	Less compensation exposure for employers.

	contributed to grievance.	
Transitional rules	12-month transition for existing high-income employees.	Time to adjust contracts.

Depositor Compensation Scheme (DCS)

From 1 July 2025, the DCS protects bank customers by guaranteeing up to **\$100,000 per depositor, per institution** for eligible deposit accounts. Accounts covered include everyday transaction accounts, savings accounts, notice savers, and term deposits, held with roughly 30 registered deposit-takers.

Depositors can increase their overall protection by **spreading funds across multiple financial institutions**, as the \$100,000 limit applies separately to each institution.

Depositor Compensation Scheme – Summary Table

Category	How the \$100,000 Protection Applies
Individuals	Up to \$100,000 per deposit taker . Spreading funds across different banks increases total coverage.
Children's Accounts	If in child's own name , they receive their own \$100,000 limit. If held under a parent's name, it counts toward the parent's limit .
Companies	Each company is treated as a separate depositor and receives \$100,000 coverage per institution.
Trusts	Each trust is a depositor with its own \$100,000 limit per institution.
Joint Accounts	Protection is shared equally . Example: A \$150,000 joint account = \$75,000 cover each .

Crypto Reporting – the IRD is watching closer than ever

New Zealand has officially adopted the **OECD's Crypto-Asset Reporting Framework (CARF)**. This global standard ensures that crypto-related income is captured as reliably as interest or dividends.

- **Mandatory Reporting:** Starting **1 April 2026**, crypto-asset service providers (exchanges and trading platforms) must collect and report detailed user transaction data directly to the IRD.

- **Global Data Exchange:** The IRD will not only receive data from local platforms like Easy Crypto but will also automatically receive information from overseas authorities regarding New Zealand residents' international trading activities.

Tax Treatment: Most Transactions are Taxable

In the IRD's view, crypto-assets are almost always acquired for the purpose of disposal. Consequently:

- **Trading & Swapping:** Making a profit from selling or even **exchanging one crypto for another** (e.g., BTC to ETH) is typically treated as taxable income.
- **Income Streams:** Rewards from staking, airdrops, or yield farming are generally taxable as income at their market value the moment they are received.

Our Recommendation: Simplify with Software

Manually tracking hundreds of blockchain transactions is prone to error and can lead to overpaying tax or missing deductible expenses. We recommend using dedicated crypto-tax software, such as **Koinly** or **CryptoTaxCalculator**. These tools sync with your wallets to generate IRD-compliant reports, providing a clear audit trail.

What We Need From You

To ensure your year-end filing is accurate and defensible, please let our team know if you have bought, sold, swapped, or earned any digital assets this year. When providing your records, please include:

- The **Tax Summary Report** from your crypto software.
- A list of any **closing holdings** as of 31 March 2026.
- Details of any **off-exchange** or private wallet activities.

Questions

If you are unsure how these new reporting obligations affect your portfolio, please reach out to us. We are here to help you navigate these complexities with confidence.

Investment Boost

A new tax incentive called **Investment Boost** has been introduced to encourage New Zealand businesses to invest in productive assets. The initiative allows businesses to claim an **immediate 20% tax deduction on eligible new assets**, in addition to normal depreciation on the remaining cost.

To claim Investment Boost, **the asset must be:**

- new or new to New Zealand (even if it was used overseas in the past)
- first available for the business to use on or after **22 May 2025**
- depreciable for tax purposes.

You can claim for:

- new commercial and industrial buildings
- improvements to depreciable property (but not residential buildings)
- primary sector land improvements
- assets arising from petroleum development expenditure and mineral mining development expenditure (except rights, permits or privileges)
- mixed-use assets.

These assets **do not qualify:**

- Land (although some land improvements, such as fencing, may be eligible)
- Residential rental buildings
- Assets that will be held as trading stock
- Second-hand assets, previously used in New Zealand
- Most fixed-life intangible assets such as patents

Normal depreciation recovery rules will apply when the asset is sold. If the asset is disposed of for more than its tax book value, the depreciation previously claimed (including the 20% Investment Boost deduction) may be **recovered as taxable income**, up to the original cost of the asset. This means the upfront deduction provides a timing benefit rather than a permanent tax saving if the asset is later sold for a higher value.

If your business has **purchased, imported, or constructed new assets after 22 May 2025**, please ensure this information is highlighted when information is collated for the year-end Financial Accounts, to determine whether the Investment Boost deduction may be claimed.

If you are considering purchasing significant business assets, discuss this with our team, to ensure the investment is structured appropriately from a tax perspective.

Xero in 2026: Less Admin, more AI Intelligence

Xero has recently introduced several updates focused on automation, AI-driven insights, and mobile functionality to streamline business workflows. It has shifted from being a recording tool to an intelligent business companion. Some of the key updates around AI includes:

- **Just Ask Xero (JAX):** A generative AI business companion that can draft invoices, reconcile transactions, and answer questions about business finances.
- **Automated Bill Entry:** Users can now drag and drop multiple files to create draft bills automatically, with AI extracting key details.
- **Analytics Powered by Syft:** New visualisations and dashboards for tracking financial health and projecting cash flow up to 180 days.

If you would like assistance reviewing these features or understanding how they can be tailored to your business processes, please contact our team for a tailored walkthrough.

IRD interest charged on late payments

IRD will charge interest at 8.97% for under/late paid taxes and pay interest at 2.25% from 16 January 2026.

Portfolio Investment Entities (PIEs):

For individual taxpayers with income exceeding \$53,500, \$78,100 and \$180,000, the marginal tax rates are 30%, 33% and 39% on any interest earned. There is a way to save an extra 2%, 5% or 11% of tax, as the case may be.

Banks are offering investments in 'term funds' which are Portfolio Investment Entities (PIE). These are interest bearing accounts and are very similar to normal interest bearing accounts. The major difference is that if a portfolio investment rate (PIR) of 28% is elected, the 28% is the final tax on PIE income. This is where the tax savings are and offers a rare opportunity to legally and effectively cap your tax liability well below the standard marginal rate of 39%.

A breathing window for Trusts

The landscape for family trusts changed significantly when the trustee tax rate was aligned with the top personal rate at 39%. For trusts with more than \$10,000 in annual income retained in the trust, the tax bite can be substantial. **Final Tax Status:** By electing a 28% PIR for trust investments, the tax paid by the PIE becomes a "final tax." This means the income is **excluded income** for the trust—it does not need to be included in the trust's annual tax return, and it is not subject to the 39% trustee rate, that is, there is no top up tax. Take for example a trust investing \$500,000 at 4%, which will earn \$20,000 of interest. If the investment was a normal savings or term deposit account, the trust could pay up to \$7,800 of tax. If the investment was in a PIE term fund, tax would be a maximum of \$5,600 – a saving of \$2,200, each year for the life of this investment.

- **Simplicity:** If the trust can invest in the same type of investment but under a PIE structure, it is then able to reduce the annual tax by nearly a third, while still investing in funds that fits its Trust purpose.

Summary of the "Tax Arbitrage"

Entity Type	Standard Tax Rate	PIE Max (PIR)	The Tax Saving
High-Income Individual	39%	28%	11%
Family Trust	39%	28%	11%
Company	28%	28%	Neutral

Audit Shield Insurance

We have recently rolled over our Audit Shield Insurance Policy to cover the year ending 31 March 2027. You will have received an invoice by email. Taking part in the policy is completely optional, and it has worked well when it was used. Note that your policy must be in place (paid) before you receive an audit/review enquiry from IRD. Hence, the sooner your premium is paid, the sooner you will be covered.

Marginal Income Tax Rates

These Marginal tax rates apply from 1 April 2025

Income to \$15,600	10.5%
between \$15,601 - \$53,500	17.5%
between \$53,501 - \$78,100	30.0%
between \$78,101 - \$180,000	33.0%
over \$180,000	39.0%

Acknowledgements

We are deeply saddened to announce the passing of two individuals who were integral to our story. Mr George Wilkinson, whose business we were privileged to acquire in 2023, passed away in February. Shortly after, in March, we lost our longest serving colleague, Noeline Roach, following a short illness. Whether you spoke with Noeline over the phone or met her in person, her dedication to our clients was unmistakable. We join their families in grieving these losses. May they Rest In Peace.

IMPORTANT UPDATES:

- Please advise as soon as possible of any changes to your contact details (physical or email addresses, phone numbers);
- All IRD refunds are now direct credited into your bank account; should you change banks or bank account numbers, please advise us or this will delay your refund;
- Ensure that you have an updated status of your debtors, creditors and stock at 31 March 2026. These are crucial for the compilation of your Financial Accounts;
- In this trying economic climate, if you have difficulty paying your tax, please let us know well before due date to assess your options.
- If you have recently renewed your passport/ or Driver's Licence in the last 12 months, we will require a certified copy for our AML purposes.