# Departmental Disclosure Statement

Taxation (Budget Measures) Bill (No 3)

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.

22 May 2026.

# Contents

# Part One: General Policy Statement

The tax measures in this Bill were announced as part of Budget 2026.

The Bill introduces a maximum threshold of $100,000 of gifts qualifying for the donation tax credit.

An income tax exemption that ensures non-resident contractors’ tax is no longer payable on the dry leasing of aircraft and aircraft parts is also introduced.

The Bill also contains changes that tax a shareholder on an outstanding loan with a company six months after the company is removed from the register of companies.

In addition, the Bill gives effect to several simplification changes to the Working for Families scheme, including removing low-risk adjustments from the calculation of family scheme income, increasing the other payments adjustment de minimis to $8,000, and allowing certain family scheme income adjustments to be applied by Order in Council. It also simplifies the residence requirements by requiring both the principal caregiver and a dependent child to ordinarily reside and be physically present in New Zealand and providing for a six-week overseas travel exemption before eligibility ceases, as well as exemptions for longer periods of absence for specified reasons.

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

- Income Tax Act 2007; and
- Student Loan Scheme Act 2011; 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/2026/commentary-taxation-budget-measures-bill-no-3.

## Introducing a ceiling on donation tax credits

This Bill introduces a maximum threshold of $100,000 of gifts qualifying for the donation tax credit (resulting in a maximum annual tax credit of $33,333.33). Current settings allow donation tax credits at a rate of 33⅓% of qualifying gifts made, with the total amount of gifts limited to the taxpayer’s taxable income. This change continues to support charitable giving across a broad donor base while managing the Government’s expenditure on the donation tax credit. This change applies to gifts of money made on or after 1 April 2027.

## Non-resident contractors' tax – exemption for aircraft leasing

Non-resident contractors’ tax is generally payable on short-term operating leases of aircraft and aircraft parts from non-residents. However, in many cases, the non-resident contractors’ tax currently charged on aircraft leasing is much greater than the potential tax liability of the non-resident lessor, and this is typically passed on as an additional cost to the New Zealand lessee. In the context of a constrained global market for aircraft and aircraft parts, this presents a barrier to the leasing of these capital assets by New Zealand businesses.

This Bill ensures non-resident contractors’ tax is no longer payable in relation to dry leases of aircraft or aircraft parts by excluding them from the scope of the tax and introducing an exemption from income tax for amounts derived by non-residents from such leases. This change applies from 1 April 2026.

## Company loans to shareholders

This Bill also introduces changes to tax a shareholder on an outstanding loan six months after the lending company is removed from the register of companies. This strengthens existing rules that tax loans when they are forgiven by providing a clear and certain timing rule that will support tax compliance and improve Inland Revenue's ability to collect tax. These changes will apply for companies removed from the register of companies on or after 4 December 2025 (the release date of the consultation paper that proposed the changes).

## Working for Families – family scheme income and residence requirements

This Bill gives effect to several simplification changes to the Working for Families scheme as follows:

- removing low-risk adjustments from the calculation of family scheme income; and
- increasing the de minimis for the other payments adjustment to family scheme income to $8,000; and
- introducing an empowering provision for certain family scheme income adjustments to be applied by Order in Council; and
- simplifying the residence requirements by requiring both the principal caregiver and a dependent child to ordinarily reside and be physically present in New Zealand; and
- providing a six-week overseas travel exemption before eligibility ceases, as well as exemptions for longer periods of absence for specified reasons.

Changes to these settings will reduce both complexity for customers when applying for Working for Families and potential future debt. These changes will apply from 1 April 2027.

## 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? | YES |
|---|---|
| DTC regime regulatory stewardship review findings and response, Inland Revenue, August 2024: DTC regime regulatory stewardship review findings and response | |

### Relevant international treaties

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

### Regulatory impact analysis

| 2.3. Were any regulatory impact statements provided to inform the policy decisions that led to this Bill? | YES |
|---|---|
| Four regulatory impact statements were prepared by Inland Revenue and are available at: https://www.taxpolicy.ird.govt.nz/publications/2026/ria-taxation-budget-measures-bill-no-3<br>• Improving taxation of loans made by companies to shareholders, 13 May 2026<br>• Taxation and the not-for-profit sector: Changing donation tax credit policy settings, 12 May 2026<br>• Working for Families – Family scheme income, 14 May 2026<br>• Working for Families – Residence requirements, 14 May 2026<br><br>The Ministry for Regulation has granted a regulatory impact analysis exemption to the **Non-resident contractors' tax – exemption for aircraft asset leasing** proposal, on the basis that its impacts are, or are likely to be, limited/minor and easy to assess. | |

| 2.3.1. If so, did the Ministry for Regulation provide an independent opinion on the quality of any of these regulatory impact statements? | NO |
|---|---|
| The regulatory impact statements for Improving taxation of loans made by companies to shareholders, Taxation and the not-for-profit sector: Changing donation tax credit policy settings, Working for Families – Family scheme income and Working for Families – Residence requirements did not meet the threshold for requiring an independent opinion on their quality. | |

| 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 |
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## 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** |
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| **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?** | **YES** |
| **(b) the nature and level of regulator effort put into encouraging or securing compliance?** | **YES** |
| The effectiveness of tax legislation is, by its nature, reliant on effective and voluntary compliance. The level of effective compliance or non-compliance with specific applicable obligations or standards, and the nature of regulator activity, may have an impact on the potential costs or benefits for some policy items to be given effect by the Bill. For the appropriate policy items, this may be discussed in more detail in the regulatory impact assessments and statements listed under question 2.3 or, where appropriate, in the commentary on the Bill. | |

## 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?** |
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| In developing policy to be given effect by this Bill, Inland Revenue considered whether the proposals may have implications for Māori rights and interests affirmed by te Tiriti o Waitangi and the Treaty of Waitangi by identifying the interests most likely to be engaged in the context of each project, assessing whether the proposals could give rise to prejudice to those interests, and considering what policy design and administrative settings are needed to protect them. This assessment has been informed by limited research and, where possible, consultation with Māori whose interests were anticipated to be impacted. The outcome of that assessment has found that proposals are consistent with the principles of active protection and partnership. Inland Revenue recognises that, where Māori interests are affected, the Crown has obligations to act reasonably and in good faith and has sought to support the Crown to meet those obligations through the steps described above. |

### 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** |
| --- | --- |
| 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. | |

### Offences, penalties and court jurisdictions

| **3.4. Does this Bill create, amend, or remove:** | |
| --- | --- |
| **(a) offences or penalties (including infringement offences or penalties and civil pecuniary penalty regimes)?** | **NO** |
| **(b) the jurisdiction of a court or tribunal (including rights to judicial review or rights of appeal)?** | **NO** |
| 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. | |

| 3.4.1. Was the Ministry of Justice consulted about these provisions? | NO |
|---|---|
| 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. | |

## 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 |
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## 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? | YES |
|---|---|
| Consultation on the proposals in this Bill has been undertaken, as outlined below (subject to Budget sensitivity):<br>• The Government released a discussion document in May 2025 on a set of proposals for improving Working for Families, including the family scheme income adjustments and residence requirement proposals. Stakeholders frequently expressed their concerns of complexity within the scheme, impact on customers in debt, stress and difficulty managing their entitlement. While detailed comments were limited, feedback on both proposals supported simplification. Broader themes from feedback (both written submissions and stakeholder workshops) were considered alongside customer insights. Together these have influenced the problem definition and detailed design of the proposals.<br>• Inland Revenue released an officials' issues paper in December 2025 on proposals to improve the way new loans by companies to shareholders are taxed. This included the proposal to tax a shareholder on an outstanding loan after the company is removed from the register of companies. Stakeholders were generally supportive of this proposal.<br>• Inland Revenue undertook targeted consultation with stakeholders on options for non-resident contractors' tax changes for the airline industry, including the option of an exemption. Stakeholders agree with the merits of an exemption for non-resident contractors' tax for aircraft asset leasing. | |

## 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** |
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| 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 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?** | **YES** |
|---|---|
| The proposal to exempt aircraft asset leasing from non-resident contractors' tax applies retrospectively from 1 April 2026. This ensures the change applies for the 2026-27 tax year, providing certainty and consistency of tax treatment for affected parties for that tax year and avoiding the need for transitional rules. As the change removes a tax obligation, no new obligations are imposed retrospectively, nor are rights or freedoms reduced.<br><br>The shareholder loans rule applies for any company removed from the register of companies on or after 4 December 2025. This application date is a necessary integrity measure to prevent taxpayers from structuring to avoid the proposed new rule. 4 December 2025 was the date of the Inland Revenue issues paper that proposed the new rule (including the proposed application date). Without retrospective application, there was a risk that some company owners could have responded to the proposal by deregistering their company before the new rule was implemented. | |

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

| **4.4. Does this Bill:** | |
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| **(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** |
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## Civil or criminal immunity

| **4.5. Does this Bill create or amend a civil or criminal immunity for any person?** | **NO** |
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## 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** |
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## 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** |
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| **4.8. Does this Bill create or amend any other powers to make delegated legislation?** | **YES** |
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| Existing section 225C of the Tax Administration Act 1994 is repealed and its contents moved to new section 215A of the Student Loan Scheme Act 2011 because its application has been narrowed from applying to both family scheme income in the Income Tax Act 2007 and (through section 73 and schedule 3, clause 5 of the Student Loan Scheme Act 2011) adjusted net income for the purposes of the Student Loan Scheme Act 2011 to solely applying for student loan purposes in future. This is a consequential change of removing the application of schedule 38 of the Income Tax Act 2007 to family scheme income in this Bill.<br>New empowering provisions are added to section MB 7B and section MB 12B of the Income Tax Act 2007 to allow for these sections to take effect by Order in Council. | |

## 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?** | **NO** |
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