Whaley Harris Durney
CHARTERED ACCOUNTANTS

ACCELERATE

BUDGET SPECIAL ALERT 2025

The Growth Budget

Budget 2025 is branded the Growth Budget, with incentives for investment and saving, funding for health, education, policing, defence and other public services, and targeted support for low to middle income families. Its operating allowance is the thinnest in a decade, aimed at reducing New Zealand's debt to GDP ratio.

Attracting investment

For Kiwi businesses, Investment Boost is a new tax incentive to encourage investment in assets to increase productivity. It allows a one-off deduction of 20% of the asset's cost in the year of purchase, along with depreciation deductions going forward, calculated as if the cost of the asset were reduced by 20%. The deduction is eligible expenditure for the purposes of research and development tax credits.

Investment Boost also applies to investing in new commercial and industrial buildings (even though they have a depreciation rate of 0%). Construction projects started before Budget 2025 may be eligible for Investment Boost, if they are used or available for use for the first time on or after 22 May 2025 and meet the other qualifying conditions. Improvements to farm and forestry land, planting of listed horticultural plants, aquacultural improvements and some petroleum and mineral mining development expenditure may also be eligible. The Investment Boost deduction is clawed-back if the asset is later sold for greater than its tax value or original cost.

Costing a projected $6.6b over the next four years, Investment Boost is forecast to increase New Zealand's capital stock by 1.6%, GDP by 1% and wages by 1.5%.

Along with boosting domestic investment, Budget 2025 allocates $85m to establish Invest New Zealand to attract talent and capital to New Zealand, lifting growth across technology, science, innovation, and other high-value sectors.

$65m is set aside to ease thin capitalisation rules for foreign direct investment (FDI) into qualifying private infrastructure projects.

Attracting talent

$10m is earmarked to help start-ups and unlisted companies recruit talent, deferring the tax liability arising on employee share scheme (ESS) benefits until a liquidity event occurs to fund the tax on income. The boundaries for eligibility are undefined as yet. We'll keep you posted.

For migrants and returning New Zealanders, possible 'revenue account' and 'deferral' methods of calculating foreign investment fund (FIF) income have been proposed to ease cashflow.

Changes to KiwiSaver

KiwiSaver employee and employer default contribution rates rise from 3% to 3.5% starting 1 April 2026, with a further increase to 4% from 1 April 2028.

From 1 February 2026, KiwiSaver members can apply for a rate reduction to 3% (which will then also apply to the employer contribution). The period of the rate reduction is limited, and KiwiSaver members need to keep reapplying as needed. The Government is halving its annual maximum contribution from $521.43 to $260.72 a year and cutting it completely from 1 July 2025 for those earning above $180,000 a year. 16 and 17-year-olds will now be entitled to employer contributions from 1 April 2026 and the government contribution from 1 July 2025.

Cost of living, families and social support

Cost of living support is targeted in specific areas, expanding some, shrinking others. Families receiving Working for Families support will see a bit extra for their fortnightly groceries. Budget 2025 lifts the Working for Families abatement threshold from $42,700 to $44,900 and the abatement rate from 27% to 27.5%. This is offset against savings from BestStart, currently means tested for the second and third income years, now means tested for the first year as well, from 1 April 2026. Inland Revenue have also signalled some proposed changes to the calculation of family tax credits and simplifying the definition of 'family scheme income' for Working for Families purposes. We'll keep you informed.

Medical costs may decrease, with the maximum prescription length increasing from three months to twelve months possibly from early 2026. The lift in income threshold from $31,510 to $32,210 on 1 July 2025 enables up to 66,000 additional lower-income households with a SuperGold cardholder to get a rates rebate. The Government will cover registration and practising certificate fees for around 115,000 teachers through to 2028.

Parental means testing for single 18 and 19-year-olds receiving Jobseeker Support or the Emergency Benefit will be introduced from July 2027.

Ministry of Social Development (MSD), the New Zealand Food Network and partner agencies will manage $15m in support for food banks. $275m establishes a Social Investment Fund to improve social services delivery to families.

New funding of $128m has been allocated for more social homes over the next four years and $150m to help the Community Housing Funding Agency lower the cost of borrowing for community housing providers. A new Flexible Fund is established with $41m over four years, set to deliver social homes and affordable rentals, replacing existing housing funds such as the Affordable Housing Fund and the Progressive Home Ownership Fund.

What about my business?

For retail businesses, it remains to be seen whether the changes will bolster consumer confidence to a point where the retail sector can rebound the way it's been hoping to.

Investment Boost and associated measures will bring some welcome tax relief and encourage spending on business assets to boost productivity. With tax incentives, a key question is whether businesses have the funds to spend in the first place. The injection into infrastructure should spur activity for construction and adjacent industries, generating employment and fuelling appetite to invest in productive assets.

Increased funding of $35m/year for Inland Revenue audit and debt enforcement should put taxpayers on notice to be vigilant about their tax obligations and manage tax debt proactively.

As ever, the Budget doesn't exist in a vacuum. Global economic uncertainty remains a limiting factor, with many businesses cautious about over-extending, although some are working hard to see opportunities despite the uncertainty.

Health, education and defence

Budget 2025 allocates $6.8b of capital expenditure for hospitals, schools, rail and roads, and defence hardware and infrastructure.

In health, just under $6b will fund hospital and specialist services and expand urgent and after-hours healthcare. An $886m education package supports children with additional learning needs, strengthens school attendance, and funds maths intervention teachers and maths tutoring. $603m is allocated to renew the freight rail network and upgrade the Auckland and Wellington metropolitan rail networks.

$660m is tagged for a range of plans to improve core Defence Force capabilities.

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