



ACCELERATE

OUR NEWSLETTER FOR GROWING BUSINESSES



As we move into the second half of the year, it's a good time to take stock of changes that could influence your business strategy and financial planning. In this newsletter, we highlight the new **Investment Boost** incentive—a valuable opportunity for capital investment—and outline what it could mean for your upcoming purchases or construction projects. We also cover **significant KiwiSaver changes** that will affect both employers and employees, and provide insight into the **IRD's increased compliance activity** following additional government funding.

Alongside these key updates, we've included changes to prescribed rates and mileage reimbursements, as well as your **August tax calendar** to help you stay ahead of important deadlines. We encourage you to take a few minutes to read through this edition and consider how these changes may affect your business. As always, our team is here to provide tailored advice and support—helping you navigate challenges, seize opportunities, and plan with confidence.

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The Investment Boost is a new optional tax deduction that allows a business to claim **20% of the cost of a new eligible asset** as an immediate expense in the year it is acquired. This measure is a form of accelerated depreciation, designed to incentivise business investment. The remaining 80% of the asset's cost can then be depreciated as normal under existing rules. The boost applies to eligible new assets (or new to New Zealand), that are purchased, or become available for use, on or after **22 May 2025**.

Note that commercial buildings are depreciable property notwithstanding that the applicable depreciation rate is zero% hence their eligibility for the incentive. We are awaiting further guidance from the IRD on the treatment of commercial fit-outs for existing tenants.

How the Deduction Works: An Example

To illustrate the mechanics, consider a company imports a second-hand digger from Australia for **\$500,000**. The digger is ordered on 30 March 2025, paid for 20 April 2025 but will only be in New Zealand on 25 May 2025.

1. **Investment Boost Deduction:** The company can claim a 20% deduction in its 2026 income tax return, because the digger is new to New Zealand and only available for use after 22 May 2025.
 $\$500,000 \times 20\% = \$100,000$ deduction in year 1, 31 March 2026.
2. **Ongoing Depreciation:** The remaining 80% of the cost forms the new base for depreciation. $\$500,000 \times 80\% = \$400,000 \times 13\% \text{ DV} \times 11/12 \text{ months} = \$47,667$ in year 1, 31 March 2026.
 - Deduction in Year 1: $\$100,000 + \$47,667 = \$147,667$ (remaining book value $\$352,333$)

Tax Treatment on Sale

If an asset that has received the Investment Boost is later sold and the sale price is higher than the asset's adjusted tax value (the original cost less the 20% boost and any subsequent depreciation), this gain is treated as taxable depreciation recovery income.

Following on from the example, if the asset is sold on 4 June 2026 for \$450,000 the depreciation recovery will be $\$450,000$ less book value $\$352,333 = \mathbf{\$97,667}$. This will be added to the company's taxable income.

Next Steps

Although this new deduction offers a significant tax benefit and may influence your future investment and capital expenditure decisions, consider that the accelerated depreciation deduction is not a "cash back" at purchase, it is a long-term tax saving that won't recoup 100% of the cost of your asset.

Using the example above, the immediate tax saving is $\$147,667 \times 28\% = \$41,347$. Cost incurred/Cash outflow for the year **\$500,000** and tax saved **\$41,347**.

The tax saving should only be one consideration and only a saving for tax paying entities (for companies currently loss making this will only increase your assessed loss to offset future profits, no immediate cash benefit). The Investment Boost is a great incentive, and we recommend reviewing any **planned** acquisitions or construction projects considering this change.



What kind of assets qualify for the Investment Boost?

A: Generally, any capital asset used in your business or to generate taxable income that is new to NZ and depreciable for tax purposes qualifies. This includes second-hand assets "new to New Zealand" (imported or purchased from overseas after May 22, 2025) and certain land improvements. Non-residential buildings are also included. However, residential buildings, land, intangible assets with a fixed legal life, or assets that are already immediately deductible for tax purposes are excluded.

When do these rules end?

A: The Government has not announced an end date for the Investment Boost scheme. This suggests it is intended to be a permanent feature of the tax landscape. Typically, when tax incentives are temporary, an end date is specified in the legislation, as was the case with the temporary increase to the low-value asset write-off threshold during the COVID-19 response.

Who is eligible for the Investment Boost?

A: The Investment Boost is aimed at all NZ businesses. Whether you're a sole trader or a company with a growing team, you can potentially benefit from this scheme.

What about assets that are used for both business and private purposes (mixed-use assets)?

A: Yes, you can claim the Investment Boost for mixed-use assets, such as a holiday home that is sometimes rented. However, the deduction must be apportioned based on its income-earning use. The amount you can claim is limited to the business-use portion of the asset's cost

Are new capital improvements eligible for Investment Boost?

Yes. Improvements to depreciable property are eligible for Investment Boost if the asset that they are improving is eligible for Investment Boost. An example of an improvement is significant strengthening of an industrial building.

What are the value and business size limits for the scheme?

A: There are no value or business size limits. You can claim the Investment Boost on any number of qualifying assets, and there is no cap on the total value of investments you can make under the scheme.

Is it compulsory to claim the deduction?

A: No, claiming the Investment Boost is optional. While depreciation on business assets is generally compulsory, you can elect not to treat an asset as depreciable. Similarly, you can choose not to claim the Investment Boost deduction for a particular asset.

What does 'available for use' mean?

A: An asset is generally considered "available for use" when it is capable of being used for its intended purpose in your business, even if it is not in constant use. This means the asset must be installed and ready to operate. For example, a backup generator stored on-site would be "available for use", but machinery that has been delivered but not yet installed would not be. An asset is also considered available for use while it is temporarily out of action for repairs or inspection. The courts have supported this view, stating that "available for use" simply means "capable of being used".

When is something considered 'new'?

A: For the purposes of the Investment Boost, an asset is considered 'new' if it has not previously been used or owned by another person or business in NZ. This means you can claim the boost for:

- Brand-new assets purchased from a NZ supplier.
- New or second-hand assets that you import directly from overseas.

You cannot claim the Investment Boost for second-hand assets that you purchase from another person or business within NZ.

There are a lot of details that still need to be worked through, and we expect further guidance from the IRD in the coming months which will hopefully address some of the outstanding questions. It's important to have records that clearly show the purchase date, cost, when and how the asset is used in the business. Get in touch so we can work out whether and how this scheme can benefit you.

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.



IRD Investigations and focus areas

Budget 2025 announced extra funding for the IRD, an additional \$35m per year on-top of the \$29m from Budget 2024. IRD is expected to return \$8 to the Government for every \$1 of funding received. Audits are up 48% and assessed additional tax \$880m driven by data matching software.

Plans for the funding

Inland Revenue will use the additional funding to focus on new activities around things like:

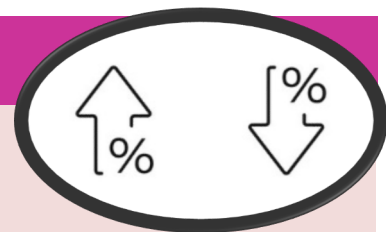
- further **increasing audits and debt collection** in areas of high risk and/or value
- investigations into **specific sectors such as property**, organised crime, the hidden economy and trusts
 - **using AI tools to obtain land information** (purchase date, details of consent, subdivision activity, date of sale, history of prior deals and the land deals of related persons)
 - **identifying mismatches** companies deducting shareholder salaries and shareholder employees not declaring the salaries; partnerships distributing income but the partner not declaring it and Trust distributions to minors (under 16years) where the Trust has not paid tax at 39% on the distribution
 - **Personal service income** diversion through companies and trusts (one source of income and one provider of services) (Attribution rules)
- improved use of data and intelligence to more quickly identify and target discrepancies and pursue debt
- shifting from a manual to an automated process to collect data from third parties, such as banks.
- investigating more targeted compliance activity measures.

Inland Revenue will take on additional staff to deliver this work, as well as using our systems and technology in more effective ways.

<https://www.ird.govt.nz/media-releases/2025/extra-funding-to-support-more-compliance-work>

Several businesses have been forced into liquidation recently with the IRD being one of the main creditors. We urge you to reach out to us if you have any overdue IRD debt or concerned about your cashflow and upcoming IRD payments.

IRD prescribe rates update:



Mileage reimbursement

Tier 1 – business portion for the first 14,000 kms

Tier 2 – business portion of any travel over 14,000 km in an income year

Vehicle type	Tier 1 rate per km	Tier 2 rate per km
Petrol	\$1.17 cents	37 cents
Diesel	\$1.26 cents	35 cents
Petrol hybrid	86 cents	21 cents
Electric	\$1.08 cents	19 cents

Home office square meter rate – for 31 March 2025 set to \$55.60

A business owner using calculate the home office cost on actual basis (individual expenses, power, insurance etc., apportioned on square meters or use the square meter rate. When using the square meter rate, you still claim mortgage interest, rates and rent on an actual basis.

Refer to our [December newsletter](#) for a more detailed explanation [here](#).

Interest rate for FBT – from 01 July 2025 set to 6.67%

This rate is used to determine the fringe benefit value of low-interest (or no interest) loans provided to employees. (01 April 2025 to 30 June 2025 - 7.38%)

Paid parental leave

From 1 July 2025, eligible employees and self-employed people will see an increase in the parental leave payment from \$754.87 to \$788.66 each week before tax. The minimum rate for self-employed people will increase from \$231.50 to \$235.00 each week, which is equal to 10 hours worked each week at the adult minimum wage.

Tax Calendar - August 2025

DATE	CATEGORY	DESCRIPTION
20 August	RWT	RWT return and payment due for deductions from dividends and deductions of \$500 or more from interest paid during July.
20 August	NRWT / Approved Issuer Levy	Payment and return due.
20 August	PAYE	Small and large employers' payment due. File employment information within two working days after payday.
28 August	GST	Payment and return due for July.
28 August	Provisional Tax	First instalment due for 2026 income year provisional tax.

Note: The provisional tax due dates apply to those clients who have a March balance date. Different dates will apply for those clients who have different balance dates.

Disclaimer: This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.