Summary of Underpinning Analysis: Taxation (Annual Rates for 2026–27, FBT Simplification, Foreign Investment Funds, and Remedial Measures) Bill

Agency responsible	Inland Revenue
Portfolio	Revenue
Date finalised	26 August 2026
Identification Number	REG-2354

Good law-making: 9(i)

The importance of consulting, to the extent that is reasonably practicable, the persons or representatives of the persons that the responsible agency considers will be directly and materially affected by the legislation	
Inconsistency identified?	NO
Summary of agency analysis	

The policy measures within this Bill have generally been developed in accordance with the Generic Tax Policy Process (GTPP), which increases opportunities for public consultation. This process helps to ensure that policy, as well as administrative considerations, are well thought through. The GTPP is designed to ensure better, more effective policy development through the early consideration of all proposals and their likely impacts.

The GTPP means that major tax initiatives that are not Budget-sensitive are subject to public scrutiny at all stages of their development. As a result, Inland Revenue and Treasury officials can develop more practical options for reform by drawing on information provided by the private sector and the people who will be affected. The final stage of the GTPP is a post-implementation review of new legislation and the identification of any remedial issues that need correcting for the new legislation to have its intended effect. Further information on the GTPP can be found at How we develop tax policy.

Specific consultation undertaken on the main policy measures within this Bill are detailed in the Regulatory Impact Statements (RISs) and Regulatory Analysis Summaries (RASs) published at https://www.taxpolicy.ird.govt.nz/publications/2026/ria-fbt-simplification-tax-bill.

Good law-making: 9(j)

The importance of carefully evaluating— • the issue concerned; and • the effectiveness of any relevant existing legislation and common law; and • whether the public interest requires that the issue be addressed; and • any options (including non-legislative options) that are reasonably available for addressing the issue; and • who is likely to benefit, and who is likely to suffer a detriment, from the legislation	
Inconsistency identified?	NO
Summary of agency analysis	

The Bill addresses a number of issues with existing taxation legislation. These issues are present in existing legislation, so primary legislation is required to address these issues.

Other feasible options were considered but would not be as effective at addressing the issues being addressed by the proposals in the Bill. The RISs and RASs published at https://www.taxpolicy.ird.govt.nz/publications/2026/ria-fbt-simplification-tax-bill detail other options considered and the impacts on different groups of the main policy proposals included in the Bill.

Good law-making: 9(k)

The importance of the responsible agency identifying and developing effective arrangements for implementing the legislation	
Inconsistency identified?	NO
Summary of agency analysis	

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.

Inland Revenue can deliver the proposals included in the Bill based on our current work programme, and on what we understand the Government intends for Inland Revenue to deliver in the future. However, this Bill will reduce Inland Revenue's change capacity, and the resourcing of policy items within the Bill should be considered when thinking about Inland Revenue's ability to deliver future initiatives. While Inland Revenue will self-fund the departmental capital and operating costs to deliver these initiatives within existing baselines, we note this may require prioritisation or the potential of trade-offs becoming unavoidable within our fixed nominal baseline.

Good law-making: 9(l)

Legislation should be expected to produce benefits that exceed the costs of the legislation to the public or persons	
Inconsistency identified?	NO
Summary of agency analysis	

The benefits of the proposals in the Bill are expected to exceed their costs. The costs and benefits of the main policy proposals in the Bill are detailed in the RISs and RASs published at https://www.taxpolicy.ird.govt.nz/publications/2026/ria-fbt-simplification-tax-bill.

Good law-making: 9(m)

Legislation should be the most effective, efficient, and proportionate response to the issue concerned that is available	
Inconsistency identified?	NO
Summary of agency analysis	

The Income Tax Act 2007 requires the rates of income tax to be set in legislation each year. The Bill is therefore required to set the annual rates for the 2026–27 tax year.

The other proposals in the Bill seek to address issues with existing taxation legislation. As noted above, primary legislation is required to address these issues.

Rule of Law: 9(a)(i)

The law should be clear and accessible	
Inconsistency identified?	NO
Summary of agency analysis	

The Bill is expected to be clear to its intended audience and freely available on the legislation website.

While the Bill includes some amendments to technical or complex areas of tax legislation, taxpayers impacted by these amendments are likely to use the services of professional tax advisors. We consider these more technical or complex parts of the Bill would still be clear and accessible to tax professionals.

A commentary on the Bill to aid understanding of the proposed amendments is also published at https://www.taxpolicy.ird.govt.nz/publications/2026/bc-fbt-simplification-tax-bill. Inland Revenue will publish further guidance on the new legislation after the Bill is enacted.

Rule of Law: 9(a)(ii)

The law should not adversely affect rights and liberties, or impose obligations, retrospectively	
Inconsistency identified?	NO
Summary of agency analysis	

The Bill includes some amendments that have retrospective application dates or may have retrospective effect. However, the retrospective amendments are not expected to adversely affect taxpayers because they either have neutral impacts (for example, clarifying amendments) or are taxpayer favourable.

More information on the retrospective application of amendments in the Bill can be found in the commentary on the Bill published at https://www.taxpolicy.ird.govt.nz/publications/2026/bc-fbt-simplification-tax-bill.

Rule of Law: 9(a)(iii)

Every person is equal before the law	
Inconsistency identified?	NO
Summary of agency analysis	

A number of Inland Revenue Acts currently bind the Crown (including the Income Tax Act 2007). This amending Bill does not alter the status quo in this respect – the amendments follow the position of the principal Acts.

Rule of Law: 9(a)(iv)

There should be an independent impartial judiciary	
Inconsistency identified?	NOT APPLICABLE
Summary of agency analysis	

The Bill does not relate to judicial appointments and independence from the executive and Parliament.

Rule of Law: 9(a)(v)

Issues of legal right and liability should be resolved by the application of law, rather than the exercise of administrative discretion	
Inconsistency identified?	NO
Summary of agency analysis	

The Bill includes a legislative clarification that Inland Revenue has the authority to use automated decision-making (ADM). The Bill would require Inland Revenue to develop a set of appropriate ADM safeguards and ADM is expected to be used for clear, rules-based decisions. While the ADM proposal would impact how the Commissioner of Inland Revenue can make a decision, it does not increase the extent of the Commissioner's administrative discretion.

Further information can be found in the RAS "Clarifying authority for automated decision-making" published at https://www.taxpolicy.ird.govt.nz/publications/2026/ria-fbt-simplification-tax-bill.

Liberties: 9(b)

Legislation should not unduly diminish a person's liberty, personal security, freedom of choice or action, or rights to own, use, and dispose of property, except as is necessary to provide for, or protect, any such liberty, freedom, or right of another person	
Inconsistency identified?	NO
Summary of agency analysis	

The legislative clarification that Inland Revenue has the authority to use ADM could create a risk that a person would be subject to decisions made by ADM that are biased or perceived as inflexible. However, this risk is mitigated through the requirement for Inland Revenue to develop a set of appropriate safeguards around the use of ADM. These safeguards are intended to ensure neutrality and non-discrimination, accuracy and reliability, transparency, monitoring, and suitable contact channels for customers who require further information about any decision made using automated decision-making. Principles for the safeguards are specified in the Bill.

The Bill also amends the student loan arrest-at-border offence provision for overseas-based borrowers. This change would mean that when Inland Revenue has not been able to notify the borrower (despite reasonable efforts to do so), Inland Revenue can instead rely on earlier engagement with the borrower to demonstrate they had sufficient knowledge of their obligations and knowingly chose not to comply. While this may impact on the personal liberty of non-compliant overseas-based borrowers, the offence provision would still retain the key safeguard that Inland Revenue must demonstrate that a borrower was aware of the debt and knowingly failed to engage.

Further information can be found in the RASs "Clarifying authority for automated decision-making" and "Amending the student loan arrest at border provision" published at https://www.taxpolicy.ird.govt.nz/publications/2026/ria-fbt-simplification-tax-bill.

Taking of property: 9(c)

Legislation should not take or severely impair, or authorise the taking or severe impairment of, property without the consent of the owner unless- • **there is a good justification for the taking or severe impairment; and** • **fair compensation for the taking or severe impairment is provided to the owner; and** • **the compensation is provided, to the extent practicable, by or on behalf of the persons who obtain the benefit of the taking or severe impairment**	
Inconsistency identified?	NOT APPLICABLE
Summary of agency analysis	
Given the nature of tax, this Bill does contain provisions that could result in the compulsory acquisition of private property (that is, money). However, given there are specific principles of responsible regulation that relate to the levying of taxes, we do not consider that this principle is applicable to taxes generally.	

Taxes, fees and levies: 9(d)

The importance of maintaining consistency with section 22(a) of the Constitution Act 1996 (Parliamentary control of taxation)	
Inconsistency identified?	NO
Summary of agency analysis	
The Bill would set the rates of income tax for the 2026–27 tax year and amends taxation legislation. This is consistent with the requirement that the levying of a tax must be authorised by or through an Act of Parliament. The Bill does not create a power to levy a tax that is not authorised by an Act of Parliament.	

Taxes, fees and levies: 9(e)

Legislation should impose, or authorise the imposition of, a fee for goods or services only if the amount of the fee bears a proper relation to the cost of providing the good or service to which it relates	
Inconsistency identified?	NOT APPLICABLE
Summary of agency analysis	
The Bill does not impose, or authorise the imposition of, a fee for goods or services.	

Taxes, fees and levies: 9(f)

Legislation should impose, or authorise the imposition of, a levy to fund an objective or a function only if the amount of the levy is reasonable in relation to both—

- **the benefits that the class of payers is likely to derive, or the risks attributable to the class, in connection with the objective or function; and**
- **the costs of efficiently achieving the objective or providing the function**

Inconsistency identified?	NOT APPLICABLE

Summary of agency analysis

The Bill does not impose, or authorise the imposition of, a levy.

Role of courts: 9(g)

Legislation should preserve the courts' constitutional role of ascertaining the meaning of legislation

Inconsistency identified?	NOT APPLICABLE

Summary of agency analysis

The Bill does not substantively or procedurally impact access to the courts.

Role of courts: 9(h)

Legislation should make rights and liberties, or obligations, dependent on administrative power only if the power is sufficiently defined and subject to appropriate review

Inconsistency identified?	NO

Summary of agency analysis

The Bill does not impact existing rights to appeal decisions made by the Commissioner of Inland Revenue.

Additional information

Relevant publicly available inquiry, review, or evaluation reports

Bill commentary
A commentary on the Bill is available at https://www.taxpolicy.ird.govt.nz/publications/2026/bc-fbt-simplification-tax-bill. The Bill commentary provides a more detailed explanation of the legislative changes proposed in the Bill.

Impact analysis

These Regulatory Impact Statements (RISs) and Regulatory Analysis Summaries (RASs) were prepared by Inland Revenue and are available at https://www.taxpolicy.ird.govt.nz/publications/2026/ria-fbt-simplification-tax-bill.

- Simplifying the motor vehicle fringe benefit tax rules, 19 August 2026 (RIS)
- Foreign investment fund reforms, phase 2, 16 April 2026 (RIS)
- Lifting foreign investment fund de minimis, 16 April 2026 (RIS)
- Research and Development Tax Incentive: Commissioner's discretionary powers, 17 August 2026 (RIS)
- In-year payments of the Research and Development Tax Incentive, 31 July 2026 (RIS)
- Research and Development Tax Incentive: Mining exclusions, 17 August 2026 (RIS)
- Research and Development Tax Incentive: Internal software, 31 July 2026 (RIS)
- Tax policy settings for taxable not-for-profits: Membership subscriptions and levies, 26 August 2026 (RIS)
- Tax policy settings for taxable not-for-profits: Statutory deduction and related measures, 26 August 2026 (RIS)
- Lowering compliance and cashflow costs for foreign currency financial arrangements, 12 August 2026 (RIS)
- Changes to the thin capitalisation rules for foreign-owned New Zealand banking groups, 18 August 2026 (RIS).
- Clarifying legislative authority for automated decision-making, 3 August 2026 (RAS)
- GST treatment of electricity exported to the grid by residential premises, 30 July 2026 (RAS)
- Amending the student loan arrest at border provision, 5 August 2026 (RAS).

The proposal to set annual income tax rates for the 2026–27 tax year is exempt from the RAS requirements on the grounds that the rates remain unchanged from the 2025–26 tax year.

The remaining proposals in the Bill are either:

- exempt from the RAS requirements on the following grounds:
    - they have no or only minor economic, social or environmental impacts, or
    - their economic, social or environment impacts are limited and easy to assess, or
- outside the scope of the RAS requirements.

Relevant international treaties, standards and obligations

Departures from the Legislation Guidelines

Other unusual provisions or features

The Bill would repeal the Stamp and Cheque Duties Act 1971 (SCDA) and replace it with a new Approved Issuer Levy (AIL) Act to improve accessibility and transparency of the AIL regime for taxpayers. Given both stamp and cheque duty have been abolished, the AIL provisions are the only operative part of the SCDA. The new AIL Act would not affect the substance of the AIL provisions or the outcomes for any users.