



Inland Revenue
Te Tari Taake

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Taxation (Budget Measures) Act 2026

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This Act commentary provides a detailed explanation of the changes made by the Taxation (Budget Measures) Act 2026.

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Taxation (Budget Measures) Act 2026
– Act commentary



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Table of Contents

Donation tax credit	4
Introducing ceiling on donation tax credits	5
Non-resident contractors' tax	6
Non-resident contractors' tax – exemption for aircraft leasing.....	7
Company loans to shareholders	9
Company loans to shareholders	10
Working for Families	14
Working for Families – family scheme income.....	15
Working for Families – residence requirements	20

Donation tax credit

Introducing ceiling on donation tax credits

Section LD 1(3) of the Income Tax Act 2007

Summary of amendment

The amendment reduces the maximum entitlement threshold for donations eligible for the donation tax credit to the lower of \$100,000 or the donor's taxable income. The rate of the credit remains at 33 $\frac{1}{3}$ %. This will yield a maximum tax credit of \$33,333.33.

Effective date

The amendment applies to donations made on or after 1 April 2027.

Background

The New Zealand donation tax credit allows individuals to claim 33 $\frac{1}{3}$ % of every \$1 donated to approved donee organisations (for example, charities registered under the Charities Act 2005, education providers, and other funds, such as mayoral funds set up in times of emergency) up to the level of their taxable income. The credit is available for every donation of money that is \$5 or more. This tax concession is generous by international standards owing to a combination of settings:

- the credit is payable as a refundable tax credit
- the credit is set at a relatively high rate, and
- the list of eligible donee organisations is relatively large.

Non-resident contractors' tax

Non-resident contractors' tax – exemption for aircraft leasing

Sections CW 56B and YA 1 of the Income Tax Act 2007

Summary of amendment

The amendments introduce a permanent exemption from non-resident contractors' tax (NRCT) for the dry leasing of aircraft and parts and exempt the non-resident lessor from income tax in relation to income received from the leasing of these assets.

Effective date

The amendments take effect on 1 April 2026.

Background

Under current law, NRCT is generally payable in relation to short-term operating leases of aircraft and aircraft parts from non-residents (provided they are taxable domestically and an applicable double tax agreement does not protect them). Long-term leases (referred to as finance leases) are treated as the sale of an asset for tax purposes, so are not subject to NRCT.

NRCT is intended to operate as an interim withholding tax on a gross payment. It is withheld by New Zealand payers from payments to non-resident contractors in relation to their activities in New Zealand. The non-resident's final tax position should be settled via self-assessment, with any NRCT withheld in excess of the non-resident's substantive tax liability being refunded.

In practice, however, NRCT does not function as intended in relation to aircraft leases.

In the airline industry, operating leases have become more common owing to global supply constraints and increasing global demand, and lessors of aircraft are often resident in countries ineligible for relief from NRCT under a double tax agreement.

Due in part to the market power of non-resident lessors, lease contracts are typically grossed up with the full tax burden passed on to New Zealand businesses. The NRCT payable greatly exceeds the actual tax liability from the leasing activity, so it significantly increases the lessee's costs. Further, in some cases, non-resident lessors choose not to engage at all with the New Zealand market because of high tax and compliance costs, meaning New Zealand lessees cannot access the aircraft and parts they need. The amendments aim to reduce the cost of accessing aircraft and parts in New Zealand.

Key features

The amendments:

- introduce a permanent exemption from NRCT for the dry leasing of aircraft and parts, and
- ensure non-resident lessors have no income tax liability in New Zealand in relation to the leased aircraft and parts.

Detailed analysis

The amendment to section YA 1 of the Income Tax Act 2007 means that providing the use of, or right to use, in New Zealand, an aircraft or parts of an aircraft under a dry lease will not be a “contract activity or service” for a non-resident contractor. A dry lease (otherwise known as a bareboat lease) is a lease where the lessee provides crew, maintenance and insurance, leasing only the aircraft and parts. A new definition of “dry lease” is added to section YA 1.

New section CW 56B exempts income derived by a non-resident lessor of aircraft or parts in respect of a dry lease. This ensures that, just as NRCT will not need to be withheld by the New Zealand lessee, the non-resident lessor will have no residual tax liability in respect of income from a dry lease and no obligation to engage with the New Zealand tax system.

Company loans to shareholders

Company loans to shareholders

Sections EW 29(9B) and (9C) and YA 1 of the Income Tax Act 2007

Summary of amendment

This amendment treats any outstanding loans from a company to a shareholder as taxable income of the shareholder six months after the lending company is removed from the register of companies under the Companies Act 1993.

Effective date

The amendment applies in relation to any company removed from the register of companies on or after 4 December 2025.

Background

This amendment was proposed in the December 2025 issues paper "Improving taxation of loans made by companies to shareholders".

Many companies have outstanding loans to shareholders and directors (or their relatives) when they are removed from the register of companies. This can include overdrawn shareholder current accounts or other shareholder debit loan amounts. All these loans are financial arrangements for income tax purposes and therefore subject to the financial arrangements rules in subpart EW of the Income Tax Act 2007.

As a general principle, if a loan is not repaid by a borrower for any reason, the amount outstanding (both principal and any accrued interest) should be income of the borrower under the base price adjustment (BPA) in the financial arrangements rules. The BPA is a wash-up calculation designed to ensure that all amounts under a financial arrangement have been properly taken into account for tax purposes. When the outcome of a BPA calculation is positive, the amount is taxable income of the person.

Under the current law, there is no specific provision that treats an outstanding shareholder loan as income of the shareholder at the time the company is removed from the register (whether through a formal liquidation process or otherwise). The mere removal of a company from the register (under section 317 of the Companies Act) does not currently trigger a base price adjustment calculation because the loan is not terminated. While the outstanding balance will eventually be treated as income of the shareholder, the date that the income arises can be unclear and will often be many years in the future.

Once a company is removed from the register of companies, it is difficult for Inland Revenue to monitor and assess whether a shareholder has complied with their obligations. Although the amount outstanding will eventually be treated as income of the shareholder, it is impractical to assess and collect tax under the current rules.

Key features

This amendment applies when:

- at the time a company is removed from the register of companies:
 - a person is a party to a financial arrangement (such as a loan or drawings) with the company, and
 - the person is a shareholder or director of the company, or a close relative of a shareholder or director of the company, and
- six months have passed since the company was removed from the register.

The amendment treats the person as being discharged from making any remaining payments under the financial arrangement six months after the date the company is removed from the register. This will then require the person to calculate a BPA under the existing rules and that calculation will result in the outstanding loan balance being taxable income for the person.

Detailed analysis

The new rule ensures that when a company is removed from the register, any outstanding shareholder loan amount (that is, the amount owed by a shareholder to the company) will result in taxable income for the shareholder.

The new rule aims to make compliance and monitoring of the tax liability of shareholders easier because it provides a certain point in time at which the income arises for the shareholder and can be assessed.

It amends section EW 29 of the Income Tax Act to insert new subsections (9B) and (9C). These new provisions will apply to a person who is a shareholder or director of a company, or a close relative of such a shareholder or director, and who is a party to a financial arrangement with the company when the company is removed from the register of companies. The new provisions will treat the person as having been discharged from all future payments under the financial arrangement (loan) without fully adequate consideration on the date that is six months after the date the company is removed from the register.

Therefore, under existing section EW 29(9), the person is required to calculate a BPA for the financial arrangement, using the formula in section EW 31, on the date that is six months after the date the company is removed from the register. Because the person will be treated as not being

required to make any further payments, the BPA calculation will usually produce a positive amount equal to the outstanding loan balance. That amount will be taxable income of the shareholder derived in the income year the calculation was made.

Example 1: Base price adjustment calculation

Bob is a shareholder in B Co and takes drawings (loans) from B Co to finance his private expenses. B Co was removed from the register of companies on 12 December 2025 because it had not complied with its obligations under the Companies Act.

The loans from B Co to Bob are a financial arrangement. The new rule will treat Bob as having been discharged from the obligation to repay these loans without fully adequate consideration on 12 June 2026, the date six months after B Co was removed from the register of companies. Bob will therefore be required to calculate a base price adjustment (using the formula in section EW 31) in the 2026–27 income year. The outstanding loan balance on that date is \$100,000.

Bob has not previously returned any income or expenditure from the loans, so the only relevant item in the BPA formula is the “consideration” amount. In summary, that item is equal to the amount of consideration paid or payable to Bob less the consideration paid or payable by Bob.

The amount paid to Bob is the outstanding loan balance of \$100,000. The new rule will treat him as having been discharged from his obligation to repay this amount, so there will be no amount paid or payable by Bob under the financial arrangement.

The result of the BPA calculation will therefore be a positive amount of \$100,000. Bob will be required to return \$100,000 of income in his 2026–27 income tax return (which will be due on 7 July 2027) and pay the tax owing on this income by 7 February 2028 (the due date for the year).

This rule applies for the purposes of the financial arrangements rules (subpart EW), so will not apply to treat the outstanding loan balance as a dividend. The application of existing rules requiring interest to be charged at a minimum rate are unaffected by this amendment.

The income from application of this new rule will arise for the shareholder six months after the date the company is removed from the register. The period of six months allows for reinstatement of a company that is inadvertently removed from the register. A company that is restored to the register is deemed to have continued in existence as if it had not been removed from the register (section 330 of the Companies Act). This means that if a company was restored to the register within six months, it will be treated as though it was never removed from the register, and new section EW 29(9B) will not apply.

The new rule will also apply if the loan is to a director of the company, or a close relative (associated under section YB 4)¹ of a shareholder or director of a company. For example, if the company lends funds to the spouse of a shareholder or director, then income can arise for the spouse under the new rule.

The amendment will only apply to treat a loan balance as income if a company is removed from the register of companies without the loan being repaid. Most small business owners manage their loans and drawings to repay them before the company ceases so will not be affected by the change. In situations where a liquidator is appointed, the liquidator will attempt to recover the loan from the shareholder so it can be used to pay creditors prior to removing the company from the register.

The new rule will not apply if the company is removed from the register of companies because it is an amalgamating company that has been amalgamated with another company and therefore removed under section 318(1)(a) of the Companies Act. In such cases, the financial arrangement continues to exist with the amalgamated company being the party to the financial arrangement with the shareholder, director or relative.

¹Persons associated under section YB 4 comprise two persons in the following relationships:

- blood relationship – one is the other person’s parent, grandparent, child, grandchild, or sibling
- marriage – one is the other person’s spouse, civil union partner, or de facto partner
- in-laws – one is the parent, grandparent, child, grandchild, or sibling of the other person’s spouse, civil union partner, or de facto partner.

Working for Families

Working for Families – family scheme income

Sections MB 1(2), MB 4, MB 5, MB 6, MB 7, MB 7B, MB 10, MB 10B, MB 12B, MB 13, MZ 4, and Schedule 38 of the Income Tax Act 2007

Section 215A and Schedule 3, clause 5 of the Student Loan Scheme Act 2011

Section 225C of the Tax Administration Act 1994

Summary of amendment

The amendments simplify the calculation of family scheme income for Working for Families purposes by removing several low-risk income adjustments and increasing the de minimis threshold for the “other payments” adjustment, reducing complexity in determining entitlements. A targeted Order in Council provision will allow specified adjustments to be reapplied if required to manage integrity risks.

These amendments apply to the calculation of family scheme income for Working for Families purposes and do not change how certain income types are taxed.

Effective date

The amendments take effect on 1 April 2027, applying for the 2027–28 and later income years.

Background

These amendments were proposed following the Government’s 2025 discussion document “Empowering Families: Increasing certainty and preventing debt in the Working for Families scheme”.

Family scheme income is used to calculate entitlements to Working for Families tax credits. Family scheme income is based on a family’s net income for tax purposes, with adjustments applied to better reflect income available for day-to-day living expenses. These income adjustments were intended to support the equity and integrity of the Working for Families scheme by limiting opportunities to artificially maximise entitlements.

However, the current calculation of family scheme income can be difficult for families to understand and apply. A person is required to consider whether a range of income adjustments applies to their circumstances, even though for most people family scheme income is the same as net income for tax purposes. This complexity creates administrative and compliance costs and increases the risk of income reporting errors, which can result in incorrect payments and debt.

While some adjustments remain necessary for integrity and equity reasons, removing those identified as low risk will simplify family scheme income without materially increasing integrity risk.

Key features

Key features of the amendments are:

- A subset of income adjustments that are infrequently used and pose a low integrity risk will be removed from the calculation of family scheme income.
- The de minimis threshold for the “other payments” adjustments will be increased from \$5,000 to \$8,000.
- A targeted empowering provision will allow specified income adjustments to be reinstated by Order in Council if required.
- A transitional provision will apply to prevent double counting of certain income equalisation amounts.

Detailed analysis

Removal of low-risk income adjustments

Family scheme income is calculated by starting with a person’s net income for income tax purposes and applying the adjustments set out in subpart MB of the Income Tax Act 2007.

The amendments will simplify this calculation by removing specified adjustments evaluated as low usage and low integrity risk.

The following adjustments will no longer apply when calculating family scheme income:

- historical depreciation losses on sale of buildings
- retirement scheme contributions
- certain pensions and life insurance annuities
- distributions from certain superannuation schemes
- distributions from retirement saving schemes
- tax-exempt overseas pensions
- salary and wages that are exempt income under certain Acts
- certain payments from a trust that are not beneficiary income and when the recipient is not the settlor
- income equalisation deposits and refunds
- salary exchanged for private use of a work vehicle and short-term charge facilities.

Removing these adjustments means the relevant amounts will no longer affect a person's net income when determining Working for Families entitlements. This will reduce complexity by ensuring families are not required to understand or apply multiple income concepts when calculating family scheme income.

Order in Council

Three income adjustments will be able to be reinstated by Order in Council:

- specific payments from a trust
- salary exchanged for private use of a work vehicle, and
- short-term charge facilities,² made available by the employer.

These adjustments have been assessed as low integrity risk and will be removed to support simplification. However, Inland Revenue will monitor all income types on an ongoing basis, with a particular focus on the three income types listed above. The ability to reinstate these adjustments by Order in Council enables them to be reinstated quickly if emerging integrity or fiscal risks were identified after their removal.

The power will be limited to these specified adjustments and will not allow for the addition, removal, or modification of other family scheme income adjustments. An Order in Council reinstating these adjustments will be required to be published by 1 December in a year and will apply for the income year commencing on the following 1 April.

Other payments

Certain payments used to meet day-to-day living expenses or that replace lost or diminished income are taken into account when calculating family scheme income under section MB 13.

The de minimis threshold limits when these payments need to be included. The amendments increase this threshold so that the adjustment will not apply when the total value of relevant payments received in an income year is \$8,000 or less. This reflects inflation since the threshold was last updated and will reduce the number of families required to consider and apply the adjustment.

² A short-term charge facility is when an employee can get goods or services that have no connection with their employer or its operations for their personal use and are not required to pay all the costs, such as an employer-provided voucher, or the use of a business credit card for private purchases.

Example 2: “Other payments” adjustment

Mary applies for Working for Families.

Mary receives \$100 per week from her grandfather to help with grocery costs. These payments total \$5,200 over the income year and are treated as “other payments”.

Under the previous rules, Mary is required to include the full \$5,200 when calculating her family scheme income because the total value of the payments exceeds the existing \$5,000 de minimis threshold.

Under the amendments, the de minimis threshold is increased to \$8,000. The \$5,200 is below this threshold, so it will not be included in Mary’s family scheme income.

Some payments currently dealt with under specific adjustment rules but being removed from 1 April 2027, may still need to be included in family scheme income. This is because they could fall within the “other payments” category if they meet the requirements in section MB 13. For example, this could apply to certain payments from a trust that are not beneficiary income and when the recipient is not the settlor.

Transitional provision for existing income equalisation deposits

An amendment removes the adjustments for main income equalisation deposits and refunds. A transitional provision will be applied to prevent the same amount being taken into account twice.

Under the transitional rule, a refund of a main income equalisation deposit will not be included in a person’s family scheme income if the deposit was made in the 2026–27 or an earlier income year and was therefore already included in family scheme income in the year it was deposited.

The transitional rule applies only to the original deposit amount and will not apply to interest.

Consequential changes to other legislation

Family scheme income is referenced in other legislation, and consequential amendments are required to reflect the changes to its calculation.

Certain salary or wages that are exempt from income tax under specified Acts are currently included in family scheme income calculations under section MB 1(2)(b), and Schedule 38 sets out the relevant specified Acts for this purpose. The removal of this adjustment in section MB 1(2)(b) means that Schedule 38 will no longer apply for Working for Families purposes.

However, the list of Acts in Schedule 38 will continue to be relevant for student loan purposes. For this reason, the contents of Schedule 38 will be relocated to the Student Loan Scheme Act 2011. The associated empowering provision in section 225C of the Tax Administration Act 1994, which previously operated in connection with family scheme income, will also be relocated to apply for student loan purposes.

Section 59(b) of the Social Security Act 2018, regulation 2(1) of the Student Allowances Regulations 1998, and regulation 2(1) of the Health Entitlement Cards Regulations 1993 reference the term “family scheme income” as calculated under the Income Tax Act directly. The simplified calculation of “family scheme income” will therefore flow through to these provisions.

Working for Families – residence requirements

Sections MA 8, MC 5, MC 5B, MC 5C, MD 7, MD 7B, MD 7C, MZ 5, and YA 1 of the Income Tax Act 2007

Summary of amendment

The amendments simplify the residence requirements for Working for Families, by removing the tax residence requirement for the principal caregiver and requiring *both* the principal caregiver and dependent child to be physically present and ordinarily resident in New Zealand. Additionally, families will be able to travel overseas for up to six weeks (42 days) at a time before eligibility ceases. This is intended to align with the end-of-year school holidays. A set range of exemptions will enable eligibility to continue beyond the six-week period. This will remove the complexity of determining when a person loses eligibility for Working for Families, reducing overpayments and debt.

Effective date

The amendments take effect on 1 April 2027, applying for the 2027–28 and later income years.

Background

These amendments were proposed in the Government’s 2025 discussion document “Empowering Families: Increasing certainty and preventing debt in the Working for Families scheme”.

The residence requirements are designed to ensure that Working for Families is only paid to families living in New Zealand, to help them with the costs of raising children. However, these rules are difficult for customers to understand and Inland Revenue to apply. Complexity arises in two key areas: the different requirements for the principal caregiver and dependent child (which apply on an “either/or” basis), and the challenge of using tax residence to determine if, and when, eligibility is lost.

Tax residence is designed to be easy to gain and difficult to lose to reduce the risk of individuals avoiding New Zealand income tax on different assets. In the Working for Families context, the difficulty in pinpointing the loss of tax residence and the backdating of it can lead to complexity and overpayments because most families receive weekly or fortnightly payments.

The Government is proposing a new approved information-sharing agreement between Inland Revenue and Customs. This agreement would provide Inland Revenue with near real-time border movement information on principal caregivers. The complexity of the rules means that, without the

amendments, Inland Revenue will not be able to reliably use this future data to determine if, and when, families stop being eligible for Working for Families.

Key features

Key features of the amendments are:

- Replacing the New Zealand resident requirement with presence requirements for both the principal caregiver and dependent child based on ordinary residence and physical presence in New Zealand.
- Retaining the “either/or” test for the lawful presence requirement, that is, either the principal caregiver or dependent child must be lawfully resident in New Zealand but not on a temporary entry class visa.
- Introducing modifications to treat the principal caregiver and dependent child as present in New Zealand during:
 - periods of physical absence from New Zealand that are six weeks or less, and
 - periods of longer absences for specified circumstances.

Detailed analysis

Amendments to section MC 5 of the Income Tax Act 2007 and new sections MC 5B and MC 5C set out the presence requirements for the family tax credit, Best Start tax credit, and minimum family tax credit.

Amendments to section MD 7 and new sections MD 7B and MD 7C set out the presence requirements for the in-work tax credit.

The main difference between the two sets of requirements is that receipt of an emergency benefit overrides the presence requirements in section MC 5 but not those in section MD 7, due to the overall requirements of the in-work tax credit rules.

With the relevant requirements included in sections MC 5 and MD 7 themselves, the section MA 8 definition of “New Zealand resident” and a related cross-reference in section YA 1 are repealed.

Physically present and ordinarily resides in New Zealand

The tax residence requirement for entitlements under Working for Families are replaced with a test that requires both the principal caregiver and dependent child to be physically present in New Zealand for the days on which they receive the relevant tax credit or the entitlement period, respectively. However, as stated above, under section MC 5, emergency benefit recipients will automatically continue to meet the requirement for the family tax credit, Best Start tax credit and

minimum family tax credit (maintaining the status quo) and will not need to meet the presence test.

The presence requirements in sections MC 5 and MD 7 will require:

- the principal caregiver:
 - to be physically present in New Zealand on the days for which they receive Working for Families
 - not be a transitional resident or the spouse, civil union partner, or de facto partner of a transitional resident, and
 - to have lived in New Zealand for a continuous 12-month period at any time
- the dependent child to be physically present in New Zealand for the entitlement period, and
- both the principal caregiver and the dependent child to ordinarily reside in New Zealand.

However, refugees, within the meaning of section 126 of the Immigration Act 2009, who have been brought to New Zealand, will not need to have been physically present in New Zealand for a continuous period of 12 months. This ensures that refugees brought to New Zealand under the quota refugee programme holding a permanent resident visa continue to qualify for Working for Families.

Lawful presence

It is only necessary for either the principal caregiver or the dependent child to be lawfully present in New Zealand under the Immigration Act and not on a temporary entry class visa (sections MC 5(4) and MD 7(4)). This means either the principal caregiver or the dependent child will generally need to be a New Zealand citizen or a holder of a resident or permanent resident visa. This maintains the status quo.

Temporary absences: Six-week rule

New sections MC 5B and MD 7B will enable Working for Families recipients to remain eligible for payments if they are absent from New Zealand for trips that are 42 days or less in duration or for the first 42 days of a longer trip, provided they are overseas on a temporary basis. The day of departure and day of arrival will not count towards the 42 days of absence.

The exemption will only apply to those who are absent from New Zealand on a temporary basis. This is because sections MC 5 and MD 7 will still require the principal caregiver and dependent child to be ordinarily resident in New Zealand. If someone leaves New Zealand permanently, however, the six-week exemption will not apply, and eligibility will cease from the day they were no longer ordinarily resident.

Absence of 42 days or less

New sections MC 5B(2) and MD 7B(2) provide that a principal caregiver or dependent child will be treated as present in New Zealand when they are absent for a continuous period of 42 days or less. It will not matter if they were travelling together or separately.

This means that eligibility for Working for Families payments will not cease when someone is overseas for 42 days or less. This provides flexibility for periods of temporary absence, regardless of the reason for travel.

This rule applies on a per-trip basis. This means that someone could take multiple short trips in a year and remain eligible for Working for Families payments even if they are away from New Zealand for longer than six weeks in total over the course of that year.

Because Working for Families is paid to families with dependent children, the six-week travel exemption is intended to align with the duration of the end-of-year school holidays.

Presence for part days – day of departure and day of arrival

New sections MC 5B(9) and MD 7B(8) provide that being present in New Zealand for part of a day will count as being present for the whole day and not absent for any part of that day. This means that when determining whether the six-week period has been exceeded, the day of departure from, and day of arrival in, New Zealand will not count as days a person was absent from New Zealand.

Example 3: Overseas trip 42 days or less

A family departs from New Zealand at midday on 3 May 2027 (departure day or Day 0). They arrive back in New Zealand in the evening on 15 June 2027 (Day 43).

On the day of departure and day of arrival, the family is treated as present in New Zealand for the entirety of those days.

The family is wholly absent from New Zealand from 4 May (Day 1) to 14 June (Day 42). Under the new rules, they are absent for 42 days or less and will therefore be treated as present and continue to be eligible for payments for the duration of their trip.

Date	Day	Presence	Test
3 May	Day 0	Departure day – present in New Zealand	Does not count as a day of absence
4 May to 14 June	Days 1 to 42	Absent from New Zealand but treated as present	Counts towards test and eligible for payments
15 June	Day 43	Arrival day – present in New Zealand	Does not count as a day of absence

Absence of more than 42 days

New sections MC 5B(3) and MD 7B(3) provide that if someone is out of New Zealand for more than 42 days, they will be treated as present in New Zealand for the first 42 days, but only if they are away on a temporary basis and still ordinarily reside in New Zealand. This means that they will continue to be eligible for payments for the first 42 days of their trip provided they are only temporarily absent from New Zealand.

Example 4: Overseas trip exceeding 42 days

A family departs from New Zealand at 9am on 1 December 2027 (departure day or Day 0). They arrive back in New Zealand at 3pm on 31 January 2028 (Day 61).

On the day of departure (1 December 2027) and day of arrival (31 January 2028), the family is treated as present in New Zealand for the entirety of those days. The family is wholly absent from New Zealand from 2 December 2027 (Day 1) to 30 January 2027 (Day 60).

Under the new rules, they will remain eligible for payments for the first 42 days and will not be eligible for payments on Days 43 to 60 (13 to 30 January 2028). Their eligibility will resume on 31 January 2028.

Date	Day	Presence	Test
1 December	Day 0	Departure day – present in New Zealand	Does not count as a day of absence
2 December to 12 January	Days 1 to 42	Absent from New Zealand but treated as present	Counts towards test and eligible for payments
13 January to 30 January	Days 43 to 60	Absent from New Zealand	Day count exceeded, eligibility stops

Certain trips within 42 days of each other

The six-week exemption applies on a per-trip basis. However, if a principal caregiver or dependent child returns to New Zealand after an absence of more than 42 days and is then subsequently absent from New Zealand again within 42 days of their return, new sections MC 5B(4) and (5) and MD 7B(4) and (5) provide that they will not be treated as present in New Zealand for any part of that subsequent period. This is regardless of whether the subsequent trip was for 42 days or less.

Example 5: Second trip within 42 days of return

A family departs from New Zealand on 1 July 2027 (departure day or Day 0) for eight weeks. They arrive back in New Zealand on 27 August 2027 (Day 57).

They then depart New Zealand again on 29 August 2027 and are absent from New Zealand for two weeks, returning on 13 September 2027.

The six-week exemption will not apply for this subsequent trip because they were absent from New Zealand within 42 days of their return from their first trip. Consequently, their eligibility will stop the day after their departure for their second trip.

Date	Day	Presence	Test
1 July	Day 0	Departure day – present in New Zealand	Does not count as a day of absence
2 July to 12 August	Days 1 to 42	Absent from New Zealand but treated as present	Counts towards test and eligible for payments
13 August to 26 August	Days 43 to 56	Absent from New Zealand	Day count exceeded, eligibility stops
27 August	Day 57	Arrival day – present in New Zealand	Does not count as a day of absence, eligibility resumes
28 August	Day 58	Present in New Zealand	
29 August	Day 59	Departure day – present in New Zealand	
30 August to 12 September	Does not apply	Absent from New Zealand	Considered absent, eligibility stops
13 September	Does not apply	Arrival day – present in New Zealand	Eligibility resumes

Overseas travel beginning before 1 April 2027

New section MZ 5 includes a transitional rule to clarify the application of the six-week exemption when someone leaves New Zealand before 1 April 2027 (provided they are only absent from New Zealand on a temporary basis).

Under this rule, a principal caregiver or dependent child who is not present in New Zealand on 1 April 2027 will be treated as absent from New Zealand beginning on 1 April 2027. The day count test to determine whether someone has been absent from New Zealand for more than 42 days will therefore begin on 1 April 2027.

Example 6: Overseas trip beginning before 1 April 2027

A family departs New Zealand on 24 March 2027 (departure day). They arrive back in New Zealand on 13 May 2027. The day count for the period in which they were absent from New Zealand begins on 1 April 2027.

The family will be treated as present from 1 April (Day 1) to 12 May (Day 42). They arrive in New Zealand on 13 May (Day 43). Their period of absence will be treated as satisfying the six-week period exemption.

Date	Day	Presence	Test
24 March	Does not apply	Departure day – present in New Zealand	Does not count toward test
25 March to 31 March	Does not apply	Absent from New Zealand	Does not count toward test
1 April to 12 May	Days 1 to 42	Absent from New Zealand but treated as present	Counts towards test and eligible for payments

Natural disasters and crisis events preventing or delaying return to New Zealand

New sections MC 5B(6) and MD 7B(6) provide a limited exemption from the six-week period requirement when a natural disaster or crisis event has prevented or delayed the principal caregiver or dependent child's return to New Zealand.

Natural disaster is not defined, but examples could include earthquakes, flooding, bush fires and volcanic eruptions.

Section MC 5B(7) defines a "crisis event" as an unexpected regional or global event and this includes:

- pandemics
- acts of war
- terrorist activity
- political or social unrest, and
- industrial action (for example, an airline strike).

This list is not intended to be exhaustive.

These events could be localised to New Zealand or the country someone is visiting, or they could have a more global impact, affecting borders, flights, or flight paths.

However, an event will not be considered unexpected if someone has travelled to a country that was the subject of a red “do not travel” alert as published by the Ministry of Foreign Affairs and Trade on safetravel.govt.nz at the time they departed from New Zealand.

Under this exemption, a person will be treated as being present in New Zealand from the day of their intended return to New Zealand until the first day they could reasonably practicably return, enabling them to be eligible for Working for Families for that period.

The first day someone can “reasonably practicably return” could include, for example, the day that their flight is automatically rescheduled to or the day the first flight or alternative travel option is offered to them at either no or a reasonable additional cost. This rule is not intended to require someone to charter private transport or pay for a first-class plane ticket if that is all that is available. The intent is to ensure someone is not treated as being present in New Zealand if they use the event as an opportunity to extend their time overseas longer than originally planned.

New sections MC 5B(8) and MD 7B(7) require the person whose return was prevented or delayed to provide satisfactory evidence to Inland Revenue that the reason for their delay is within scope of the relevant provision, along with evidence of their original intended return date and that their new return date was the first reasonably practicable date.

Example 7: Overseas trip exceeding 42 days, natural disaster delays return

A family departs from New Zealand on 15 September 2027 (departure day or Day 0). They were originally booked to arrive back in New Zealand on 4 November 2027 (Day 50).

A volcanic eruption shuts down the airspace in the region where the family is staying, and they are unable to return to New Zealand. As soon as flights resume, their airline books them onto a flight that arrives back in New Zealand on 21 November 2027 (Day 67).

Under the new rules, they will remain eligible for payments for the first 42 days under the main six-week rule and will not be eligible for payments on Days 43 to 49. However, the rule for natural disasters will then treat them as being present from the date they were originally booked to return to New Zealand (4 November 2027).

Date	Day	Presence	Test
15 September	Day 0	Departure day – present in New Zealand	Does not count as a day of absence
16 September to 27 October	Days 1 to 42	Absent from New Zealand but treated as present	Counts towards test and eligible for payments
28 October to 3 November	Days 43 to 49	Absent from New Zealand	Day count exceeded, eligibility stops

4 November to 21 November	Days 50 to 67	Absent from New Zealand but treated as present (natural disaster)	Does not count as days of absence and eligible for payments
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Exemptions for specified circumstances

In specific circumstances, the new rules will treat someone as present in New Zealand even if they are overseas for longer than 42 days, allowing Working for Families eligibility to continue or resume while overseas.

These exemptions cover a range of planned and unplanned reasons for absences. Most will be available to both the principal caregiver and the dependent child. These exemptions override the rules for temporary absences in sections MC 5B and MD 7B, discussed above.

If any of the circumstances apply to the principal caregiver or dependent child, they will have to notify Inland Revenue and provide satisfactory evidence of the circumstances. Inland Revenue will provide guidance on this process.

While there will not be a strict time limit for these longer exemptions, the principal caregiver and dependent child will need to still ordinarily reside in New Zealand. As part of providing satisfactory evidence that they qualify for the exemption, they may be required to provide proof of their intended return to New Zealand.

Absences related to child's schooling

New sections MC 5C(2) and MD 7C(2) provide that a dependent child will be treated as being present in New Zealand if the child is overseas for longer than 42 days to attend:

- primary or secondary schooling, or
- a sporting or cultural tour or event.

The primary or secondary schooling exemption will cover the scenario where a child is overseas on an exchange or to attend boarding school.

The second exemption for sporting and cultural tours and events will apply even if the tour or event has not been arranged by the child's school. This will cover, for example, competing in an overseas age-group sports tournament.

Overseas in service of New Zealand Government

New sections MC 5C(3) and MD 7C(3) preserve the status quo and allow Working for Families eligibility to continue when the family is overseas in service of the New Zealand Government. This

exemption will apply regardless of whether it is the principal caregiver or their spouse, civil union partner, or de facto partner who has been posted overseas.

Family-related absences

New sections MC 5C(4) and MD 7C(4) treat a principal caregiver or dependent child as being present in New Zealand if they are overseas for more than 42 days for any of the following reasons:

- the death, serious illness or serious injury of the principal caregiver, dependent child, or a family member
- the principal caregiver, dependent child, or a family member is seeking medical treatment not available in New Zealand
- the principal caregiver, dependent child, or a family member is part of criminal proceedings outside New Zealand (including as a witness).

This specific deeming rule only applies to the part of their trip that is the result of one of these reasons.

For example, someone may go overseas specifically to take care of a seriously ill family member. In this case, the person will be treated as being present in New Zealand for the full period of absence.

Alternatively, if someone goes overseas on holiday and their trip is prolonged because of a family member’s death or serious illness, they will only be treated as being present in New Zealand under this exemption for that part of their trip that commenced on the date of the family member’s death or serious illness.

Example 8: Overseas trip not planned to exceed 42 days, death of family member delays return

A family departs from New Zealand on 21 December 2027 (departure day or Day 0). They were originally booked to arrive back in New Zealand on 25 January 2028 (Day 35).

While overseas, a relative of the principal caregiver passes away unexpectedly on 20 January 2028 (Day 30).

The family remains overseas for the funeral and returns to New Zealand on 5 February 2028 (Day 46).

Under the new rules, they will remain eligible for payments for the entire duration of their trip. Before the death of the family member, they had not exceeded the six-week rule. From the death of the family member until their return, they are treated as being present in New Zealand under the exemption.

Date	Day	Presence	Test
21 December	Day 0	Departure day – present in New Zealand	Does not count as a day of absence

22 December to 19 January	Days 1 to 29	Absent from New Zealand but treated as present (six-week rule)	Counts towards test and eligible for payments
20 January to 4 February	Days 30 to 45	Absent from New Zealand but treated as present (family-related absence)	Does not count as days of absence and eligible for payments
5 February	Day 46	Arrival day – present in New Zealand	Does not count as a day of absence

“Family member” is not defined for the purposes of these exemptions. It includes a member of the principal caregiver’s or dependent child’s immediate family household (for example, the person’s spouse, civil union partner or de facto partner and other children), as well as other family members not in their household, for example, adult siblings, parents, aunts and uncles, cousins, grandparents, and great aunts and great uncles.

There is an existing definition of “family member” in the Income Tax Act that is used narrowly in the context of members of Parliament and is currently used only for the purposes of section CW 31 (which relates to services for members of Parliament). An amendment clarifies that this definition only applies for section CW 31 to ensure it does not apply for new sections MC 5C and MD 7C.