

Information Sheet

This information sheet explains the current policy proposal included in Budget 2026. The proposal may change as the legislation moves through the parliamentary process. The information is up to date as at 28 May 2026.

Changes to financial arrangements rules to support migrants

Proposed changes to the financial arrangements rules would lower the effect that foreign exchange rate movements are having on investments denominated in foreign currencies. The objective of these changes is to increase certainty for individuals who have these arrangements.

Why is this change needed?

A financial arrangement is any arrangement where one person provides another person with money now, on the expectation of repayment in the future (with or without the expectation of interest). The financial arrangements tax rules govern how income (and losses) from financial arrangements are calculated for tax purposes.

These are highly complicated rules because of how complex the kinds of financial products covered by the rules can be. Importantly, these rules were designed to recognise income and expenses from these arrangements on an accrual basis, which does not always align with the actual cashflow impacts of these arrangements.

When a financial arrangement is denominated in a foreign currency, then changes in the value of that currency (relative to the New Zealand dollar) are captured by the rules. Because taxpayers do not know how exchange rates are going to move each year, they have uncertainty over what their end-of-year tax bill will look like. Because migrants hold disproportionately more foreign currency arrangements, they can experience more uncertainty on their investments.

What are the proposed changes?

The Government has proposed a package of changes targeted at reducing the impact that exchange rate movements have across a range of financial arrangements. This package includes:

- New rules that would allow some taxpayers to reduce their exposure to unrealised exchange rate gains and losses by calculating income under some of the financial arrangements rules in a foreign currency (instead of in New Zealand dollars).
- Special rules to protect certain individuals who are exposed to cross-border double taxation because of the accrual basis of the financial arrangements rules.
- A new calculation method for arrangements acquired for the purpose of meeting the Active Investor Plus visa requirements that would prevent surprise tax obligations from the date a person arrives in New Zealand.
- Changes to remove low risk, common foreign currency arrangements from the financial arrangements rules altogether, such as personal bank accounts, mortgages on private homes, and credit cards with foreign banks.

Information on the final technical design of these proposed changes (including which taxpayers are eligible to make use of these rules) will be made available on introduction of legislation.

All changes would apply from 1 April 2027, except for changes relevant to the Active Investor Plus visa, which would be backdated to 1 April 2025 instead.

Who would benefit from these changes?

Where possible, these changes have been designed to apply to all individuals, regardless of their migration status. However, some changes would affect taxpayers based on whether they are also taxed in another country on a citizenship basis, meaning they would generally not impact non-migrants.