



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.

Non-resident contractors' tax modernisation

What is non-resident contractors' tax?

Non-resident contractors' tax (NRCT) is an interim withholding tax deducted from gross payments made by New Zealand payers to non-resident contractors for activities in New Zealand. It is administered through the PAYE system. The purpose of NRCT is to protect the New Zealand tax base by managing "flight risk", that is, the risk that non-resident contractors may leave New Zealand without paying the tax ultimately due on income earned here.

The non-resident contractor can later file a tax return to determine their final tax liability, with any excess tax withheld being refunded.

What are the proposed changes?

As part of the Government's focus on attracting and retaining capital and talent and its Going for Growth agenda, it wants to remove and reduce tax barriers and compliance costs for businesses by simplifying and modernising NRCT. This tax has high compliance costs and the burden of tax can fall on New Zealand businesses, increasing the cost of doing business with non-resident contractors. To help mitigate those costs, the Government has proposed the changes outlined below.

The changes would apply from 1 April 2027.

Increasing the monetary exemption threshold

Currently, NRCT does not need to be withheld from contract payments if the activity or service is worth \$15,000 or less in a 12-month period. This \$15,000 threshold has not been increased since it was first introduced in 2003, and its real value has been eroded by inflation.

The threshold would be increased to \$75,000 so that NRCT does not need to be withheld for contracts at or below this amount. This increase reflects past inflation and would future-proof the threshold for a period of time.

Implementing a "single-payer" view

Under the single-payer view, New Zealand entities that engage with a non-resident contractor would only need to consider their own contractual activity in a 12-month period when determining whether a threshold exemption applies. This would simplify the NRCT threshold exemptions and reduce compliance costs for New Zealand entities because they would no longer need to know about the non-resident contractor's activity with third parties to determine if an exemption is available.

Excluding low-risk entities from NRCT

Certain entities such as branches, limited partnerships and representative offices would be excluded from the NRCT regime if they are able to show steps taken to be tax compliant, saving them from unnecessary administrative and compliance costs. These entities are generally considered "low-risk", meaning they are

compliant with their tax obligations and are unlikely to pose a flight risk. New Zealand branches of overseas companies in particular are regularly exempted from the NRCT on application.

Improving NRCT administration

The administration of NRCT would also be improved by creating a bespoke NRCT tax code for New Zealand payers to use in the PAYE system. This would create greater visibility of NRCT payments within Inland Revenue's systems, enabling clearer tracking of NRCT payments and enabling smoother processes for payers.