

Briefing note

Reference BN2026/270

Date 28/08/2026

To Revenue Advisor, Minister of Finance – Carl Harris
Revenue Advisor, Minister of Revenue – Angela Graham
Private Secretary, Minister of Revenue – Melissa Zhen

From Felicity Barker

Subject **Investment Boost update**

Purpose

- 1 You are meeting Inland Revenue and Treasury officials on 1 September to discuss Investment Boost. This note provides a summary of the key issues for discussion:
 - an update on monitoring work;
 - an overview of recent business feedback on long-term assets.

Monitoring work

- 2 The slides enclosed provide a brief update on Investment Boost monitoring data. Key points from our monitoring work are:
 - Survey data suggests many firms have changed their investment plans due to Investment Boost.
 - While many firms note Investment Boost is a small positive, others have indicated that difficult economic conditions have prevented them from making use of the incentive.
 - Currently, Investment Boost appears to be more effective in stimulating investment in assets that are ready to use (such as plant and machinery) rather than assets that take time to construct.
 - As large firms typically make investment decisions through structured, multi-year capital planning processes, additional time and evidence will be needed to assess the extent of any adjustments to the timing, scale, or composition of investment for these types of firms.
 - Macro-economic data to date has been in line with forecast investment in the Budget 2025 economic forecasts, which included the estimated impact of Investment Boost.
- 3 At this early stage we remain cautious about drawing conclusions about the impact of Investment Boost given we only have limited information (i.e. Investment Boost claimed to date). The Inland Revenue Financial Statements Summary now includes a question on whether Investment Boost has been claimed. However, to date only around 30% of 2025-26 returns have been filed, and these returns are primarily completed by small and medium enterprises. Uptake information for larger firms for the 2025-26 year will become available mid-2027.

4 Information from Financial Statements Summaries as at 26 August indicates that, of the businesses that reported some additions to fixed assets for the 2025–26 tax year:

- 49% (32,870 firms) reported that they had claimed Investment Boost deductions;
- Total value of assets on which Investment Boost has been claimed is \$2.0 billion;
- Average value of assets on which Investment Boost has been claimed is \$61,000.

We expect these figures represent roughly 20% of the expected investment value among small and medium enterprises.

Property Council workshop feedback

5 We attended a workshop with the Property Council NZ Industry Leaders group (also referred to as the Advisory Group) at the end of July. The discussion centred around how the property industry viewed investment opportunities, how they make investment decisions and, in that context, how Investment Boost influenced those decisions. In summary the key points were:

- Uncertainty is a key challenge for long term infrastructure investment decisions. Regulatory settings are the focus but tax settings are also relevant.
- As construction projects have a long lead time, uncertainty over the longevity of Investment Boost means that it is not being fully factored into investment decisions.
- Investment Boost is having impacts on shorter construction projects, such as upgrades.
- Some members suggested allowing Investment Boost deductions to be claimed as expenditure is incurred during the construction period, but it was noted that not all investors have the same tax profile and therefore that type of change would not necessarily benefit all investors equally. It would also add significant complexity.
- International investors are generally unfamiliar with Investment Boost, reducing its appeal as an incentive for overseas investment. Comparatively, most international investors understand and know depreciation.

6 If investors in long-term construction projects are not incorporating Investment Boost into their decisions, then the policy may not deliver the expected economic benefits for these assets in the short term.

7 However, stable policy settings are likely to lead to increased certainty over time. As certainty increases, we expect investors will begin incorporating Investment Boost into their decisions, and the economic benefits will still be realised in the long run.

Next steps

8 To be discussed with Officials at the meeting of 1 September 2026.

Felicity Barker

Policy Lead, Economics

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Investment Boost update and consideration of long-term assets

Key points

- Very early days – can't yet give a strong indicator of impact.
- Stakeholder responses are positive on balance and actual investment has been in line with B25 forecasts, which included estimated Investment Boost impacts.
- Certainty is a key issue for long-term assets, with no easy fix.
- We do not recommend any immediate change to settings, as certainty is best supported by consistent settings over time.

Forecast costs and impacts

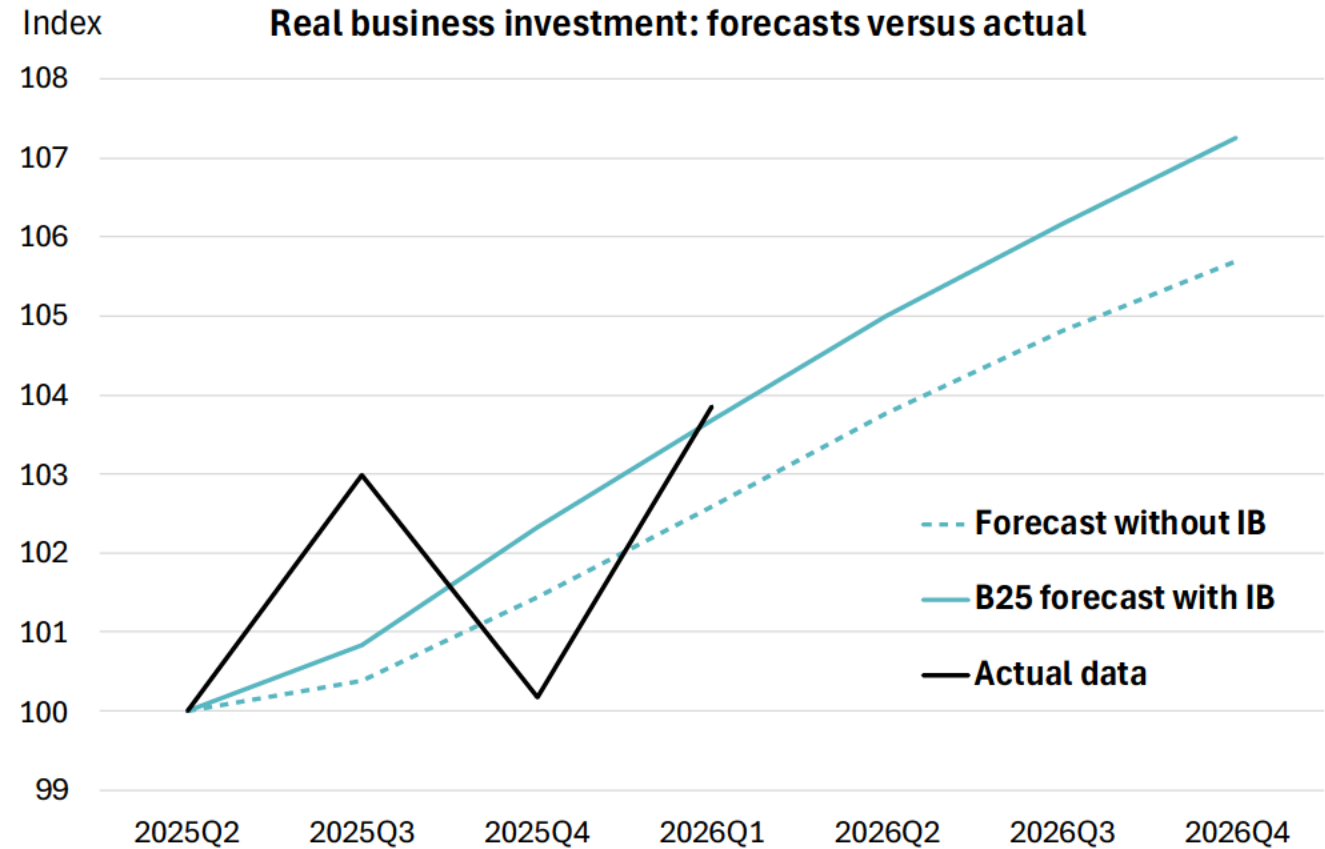
- We estimated Investment Boost would increase capital stock by 1.6% over 20 years.

Percentage increase in 20 years	
GDP	1%
Capital stock	1.6%
Wages	1.5%

- We forecast a fiscal cost of \$6.6bn over the forecast period, partially offset by an estimated \$2.6bn in increased revenue.

Early indicators – macroeconomic data

- The Treasury's B25 economic forecasts assumed business investment would be higher than otherwise over the forecast period due to IB.
- The most recent investment data was in line with Treasury's forecasts that included the effect of IB.



Early indicators – firm level

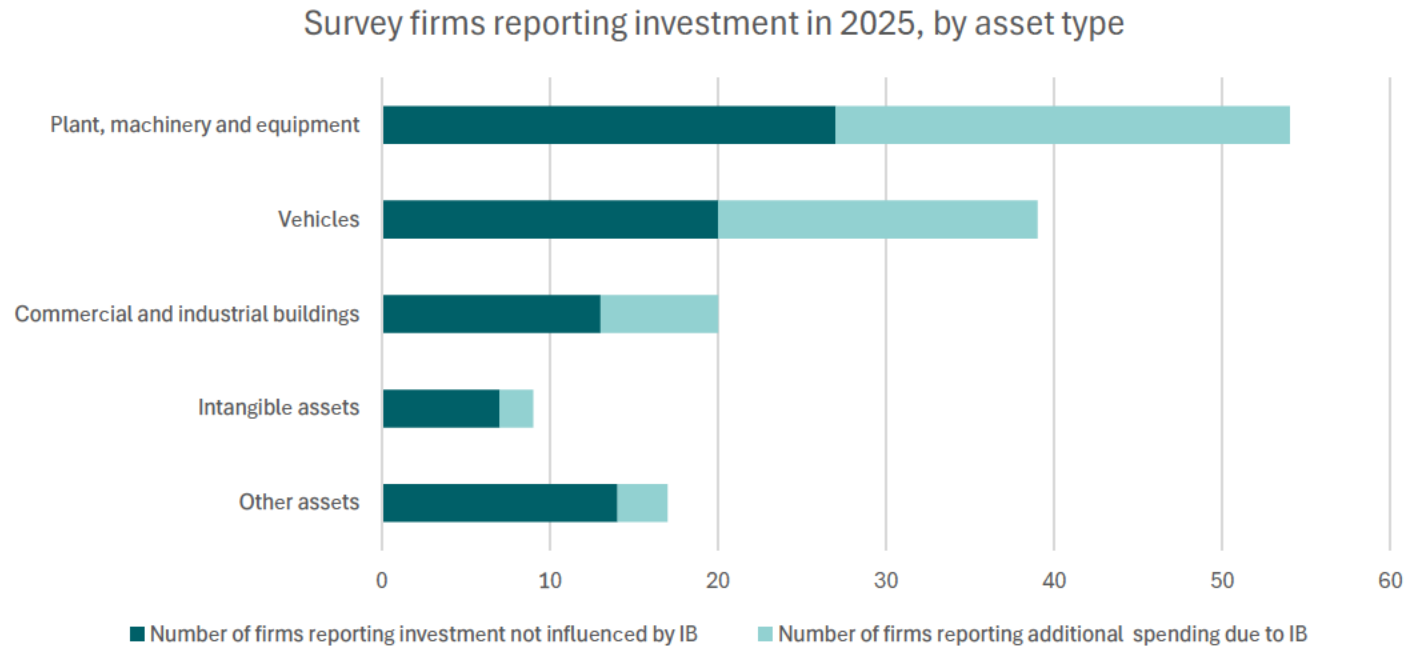
- While it is still very new, and despite mixed awareness, Investment Boost is already having an impact on investment activity.
- Financial Statement Summary (IR10) returns shows that many firms have already claimed IB, although the available data is currently skewed to smaller firms.
- Survey of businesses in December 2025:
substantial share of firms reported that IB is affecting their investment plans (see table).
This result was consistent across firm size.
- Administrative questionnaire of larger firms:
fewer firms report an impact on planned investment (3%) but focus limited to 2024-25 tax year.

Looking ahead over the next five years, to what degree has Investment Boost influenced this business's planned spending on assets?
Sub-sample of firms who are aware of IB and have some planned investment

Large increase	44 (14%)
Small increase	111 (35%)
No change	145 (46%)
Decrease	0 (0%)
Don't know	16 (5%)
Number of firms	316

Asset Composition

- Data to date suggests Plant, Machinery & Equipment (PME) assets account for the bulk of uptake, but coverage is limited.



What are we hearing?

- Among surveyed firms that indicated no response to IB in 2025, the main reasons given were:
 - Lack of awareness of the policy
 - Non-discretionary investment
 - Timing – investment was already planned or made prior to announcement
 - Economic or financial conditions for the firm
 - Lack of need for capital investment
 - Lack of material benefits from IB
- Significant Enterprises (turnover \$30m+) indicated positive views of Investment Boost but noted that it has not affected investment decisions to date. Investment decisions are made as part of structured capital planning processes, driven by commercial and operational factors. More time is needed to understand impacts on large firms.
- Manufacturing firms submitted in support of increasing the rate applied to plant, machinery and equipment (PME).
- Stakeholder consultation has focused on policy uncertainty and long-term assets.

Investment Boost and long-term assets

- We have heard investors are not always factoring the value of IB into investment decisions when there is a long lead time before the asset will be available for use.
- Stakeholders suggest allowing IB to be claimed as expenditure is incurred, but we do not recommend this. It would come with a large one-off fiscal cost and would only marginally improve certainty, meaning the economic benefits would likely be small.
- Most countries exclude long-term assets from partial expensing (Canada does not) although these regimes tend to be temporary, stimulatory measures (compared to NZ's permanent, long-term focus).
- At this point we recommend holding settings stable. Stable settings are likely to lead to increased certainty over time.
- If you wish, we can provide advice on options for changes to IB, such as targeting IB at Plant, Machinery & Equipment (which could be combined with restoring depreciation for buildings).

Buildings have comparatively high effective tax rates

Excluding non-residential buildings from Investment Boost would exacerbate the existing disparity.

