

Budget 2026: What it means for you and your business

Budget 2026 focuses on economic stability, debt reduction and improving compliance efficiency while introducing targeted measures that directly impact small and medium-sized businesses.

Key Highlights:

1. Fringe benefit tax (FBT) simplification ([click here to read more about the proposed new rules](#)).
2. Foreign investment fund changes ([click here to find out more](#)).
3. Changes to the financial arrangement rules ([click here to find out more](#)).
4. Research and development tax incentive changes ([click here to find out more](#)).
5. Implications for shareholder loans on liquidation of a company ([click here to find out more](#)).
6. Kiwisaver changes ([click here to find out more](#)).
7. Charities and not-for-profits ([click here to find out more](#)).
8. Other remedial changes ([click here](#)).

Fringe benefit tax (FBT) simplification

Early last year Inland Revenue suggested some improvements to the current FBT rules to simplify and reduce the administrative burden for businesses using company vehicles.

The budget appears to adopt these changes. While the exact details are yet to be released, we expect the current rules will be repealed and the focus will shift to how the vehicle is actually used (rather than the type of vehicle it is).

Key changes:

- Current work-related vehicle exemption will likely be removed.
- New categories will be introduced based on the intended use of the vehicle.
- The applicable FBT cost applying to each category will depend on the level of private use and will be scaled down accordingly where private use is minimal.
- Detailed logbook requirements will be removed as a result.

These changes are designed to improve compliance with the FBT rules.

Further details will be provided (including the expected application date) once the draft legislation has been published.

Foreign investment fund (FIF) changes

- De minimis threshold (for whether the rules apply) will increase from \$50,000 to \$100,000 per taxpayer.
- Revenue account method (RAM) extended to all NZ taxpayers for unlisted shares (currently limited to new migrants).

These changes will reduce complexity for investors with overseas shares meaning that many will no longer be required to comply with these rules.

The RAM was recently introduced for new migrants meaning they did not need to pay tax on the capital gain of their shares until these are sold (instead of every year under the current FIF rules).

Financial arrangements

The proposed change would make the financial arrangement rules easier by ignoring small foreign exchange movements on low-risk overseas loans or balances. These would no longer be taxable.

Research and development tax incentive (RDTI)

- Payments can now be made by Inland Revenue during the year, which will help businesses with cashflow.
- Allowing Inland Revenue to be more flexible and accept late claims.
- Mining companies can now qualify for the incentive.
- The limit on certain internal software spending to be cut significantly (from \$25m to \$3m), reducing how much can be claimed.

Company liquidation and shareholder loans

- Changes signalled around the treatment of overdrawn current accounts when companies are liquidated or removed from the register.
- Potential tightening of rules when a company is removed from the Companies Register. A tax liability will likely arise on unpaid shareholder loans after six months.

KiwiSaver changes

- Default contribution rates increasing:
 - 3.5% from 1 April 2026
 - 4% from 1 April 2028
- Employees can temporarily opt down to 3%.
- Government contribution reduced to 25 cents per \$1 contributed (max \$260.72 per year).
- Contributions extended to 16–17-year-olds.

Charities and Not-for-Profits

- Donations eligible for tax credits to be capped at \$100,000 per year.
- Donation tax credits can now be claimed during the year (instead of waiting until year end).
- Donors can choose to transfer their donation credits to charities.
- Net income threshold for not-for-profits to be increased from \$1,000 to \$10,000 for determining whether tax needs to be paid.

Other remedial tax changes

Inland Revenue enforcement

- Additional \$15 million per year allocated to Inland Revenue for debt collection.
- Expect increased audit activity and compliance enforcement.

Investment boost

- Continued support for investment in new assets.
- What is the asset investment boost – click here: ([New assets - Investment Boost](#))

In-work tax credit boost

- Increase of \$50 per week (for up to one year) for eligible families. This is intended to support households facing rising living costs.

What you should do now:

- Review current motor vehicle policies.
- Review any overdrawn shareholder loan positions.
- Communicate kiwisaver changes with employees early and factor these into future budgets and pricing.
- Review payroll systems to ensure they can handle staged increases.
- Bring forward new asset purchases where appropriate to take advantage of investment boost incentives.
- Contact your Chapmans advisor for assistance with these changes.

For further information follow the links below:

[Budget 2026 | The Treasury New Zealand](#)

[New Zealand Budget | CA ANZ](#)