ISSUE 1 APRIL 2026

NEWSLETTER

NATIONAL ACCOUNTANTS

this issue

Cryptocurrency P.1

Investment Boost P.2

The definition of Cryptoasset

The definition of Cryptoasset was inserted into s YA 1 of the Income Tax Act 2007 by s 171(10) of the Taxation (Annual Rates for 2021-22, GST, and remedial Matters) Act 2022.

The term Cryptoasset

The term Cryptoasset is defined to mean a digital representation of value that exists in:

- a database that is secured cryptographically and contains ledgers, recording transactions and contracts involving digital representations of value, that are maintained in decentralised form and shared across different locations and persons, or

Taxation of Cryptoassets.

In recent years, cryptoassets have surged in popularity and taxpayers are increasingly engaging in complex transactions involving cryptoassets. These transactions often go well beyond simply acquiring and disposing of cryptoassets. As the sophistication of cryptoasset arrangements increases, so too has the level of uncertainty regarding the NZ income tax implications.

IRD recently released issues paper IRRUIP18, "Income tax – wrapping, bridging, lending, borrowing and staking cryptoassets", which sets out IRs initial views on the NZ income tax consequences arising from common decentralized finance transactions.

What are Cryptoassets?

They are digital assets (commonly known as coins or tokens) that use cryptography, ie creating and solving codes to secure transactions, and to verify the transfer of the coins or tokens. Different Cryptoassets have different features and characteristics. Because of this, crytoassets are difficult to characterize for tax purposes, and they do not always fit within existing definitions which were designed for other investment products, such as currency, debt, shares and other equity securities.

As well as the definition of "Cryptoasset", the definitions of "Cryptocurrency"and "non-fungible token" were also inserted into sYA 1. The term "cryptocurrency" is defined to mean a cryptoasset that is not a non-fungible token. The term "non-fungible token" is defined to mean a cryptoasset that contains unique distinguishing identification codes or metadata.

National Accountants

Chartered Accountants

John Nobilo, B.Com.,CA (PP)

Member of NZICA / ICAANZ

The term Cryptoasset continued

Another application of the same technology performing an equivalent function.

The definitions of cryptoasset, cryptocurrency and non-fungible token only apply where they are used in the Income Tax Act and the GST Act. In other words, these definitions do not have a broader application.

Practically, this means that, outside of the financial arrangements rules and the GST rules, the ordinary tax rules apply to cryptoassets.

The updated definitions mean that the supply of cryptocurrency is not subject to GST.

But the supply of non-fungible tokens is subject to GST.

Section EW 5 provides that cryptocurrency is an excepted financial arrangement provided that the ownership of that cryptocurrency does not result in the owner being entitled (during the period of ownership) to amounts that are determined:

- by reference to the quantity or value of the cryptocurrency

- on a basis that is known by the owner in advance, and

- not by reference to the profits of a business actiivity.

Accordingly, non-fungible tokens are not an excepted financial arrangement (although, it is unlikely that holding a non-fungible token would amount to a financial arrangement).

The same definitions of "cryptoasset", "cryptocurrency", and "non-fungible token" were also inserted into the GST Act 1985.

"The trading of non-fungible tokens will be subject to GST once you breach the threshold"

At that same time, the definition of "goods" was amended to specifically exclude cryptocurrency, as was the definition of "services". These updated definitions mean that the supply of cryptocurrency is not subject to GST, and that the supply of non-fungible tokens is subject to GST.

References:

Income Tax Act 2007,

Ss EW 5, YA 1.

GST Act 1985, s 2.

Taxation(Annual Rates for 2021-22, GST and Remedial Matters) Act 2022.

CCH.

NZ Updating Master Tax Guide, 5-219.

Taxation of Cryptoassets by Caleb Story (Tomlinson Law).

Investment Boost – Deduction for new investment assets

As part of the 2025 budget, the Govt introduced a new tax incentive where taxpayers can claim 20% deduction on expenditure incurred on a new investment asset. The objective of this rule is to encourage capital investment and raise productivity in NZ.

A new investment asset is defined as an asset acquired and owned by a person in the following categories:

- all depreciable property for which the person is allowed a depreciation deduction, including commercial buildings, but excluding residential dwelling and FLIPs.

-deductible improvements made by a person in relation to a farming business, aquacultural or forestry business.

- assets acquired as petroleum development expenditure and mining development expenditure but excluding rights, Permits or privileges.

- Deductible planting costs incurred by a person on planting listed horticultural plants.

- an alteration, extension, or repair of any of the above assets that increases its capital value.

The asset must not be secondhand

For a new investment asset that is a depreciable property, the deduction may be claimed provided the asset first becomes available for use in NZ on or after 22 May 2025. If the person already owns the asset, the deduction may be available provided the asset first becomes available for use on or after 22 May 2025.

The asset must not be secondhand. In other words, the asset must not have been previously used or been available for use for any Purpose in NZ. It Follows that assets That have been Previously used as Depreciable property And for private use, do Not qualify as new investment assets..

Depreciation use

In May 2025 the Govt introduced the investment boost policy, administered by IRD. Under Investment Boost, businesses can claim 20% of the cost of new assets as an immediate deduction, then claim depreciation as usual on the remaining 80%.

The asset purchase becomes eligible for investment boost when the asset is available for use, rather than when the spending is incurred.

The future

It should be noted that, at this stage there is no limit to the amount of the investment boost deduction that can be claimed.

Given that the Investment Boost is forecast to cost the Govt $6.64 billion through to 30 June 2029, and the Govt's desire to return to an operating surplus, further changes in this area are possible.

In addition it should be noted that there is no legislated end date for these provisions and, therefore, it appears that these provisions will remain in force for the foreseeable future (until at least, there is a future Government with different priorities).

Apportionment

If a new asset is used for both business and private use, the deduction is to be apportioned to reflect business use of the asset. For business use reducing by 25% or more, assessable income may arise.

Other comments on the Investment Boost rules

- **Trading stock, which includes land, is ok.**
  An asset is not considered to have been used or available for use if the asset has been held only as trading stock and/or used only in a manner necessary to prepare the asset for sale.
- **A demonstrator motor vehicle should be acceptable.**.
- **A person is able to claim both the investment boost deduction and depreciation in the year that the depreciable property first becomes available for use in NZ.**.
- **Note that for depreciable property, the investment boost deduction may be recovered if the depreciable property is disposed of for more than its adjusted tax value.**.

Newsletter Issue 01 April 2026

National Accountants

Chartered Accountants

John Nobilo, B.Com.,CA (PP)

Member of NZICA / ICAANZ

B2, 18 Oteha Valley Road Ext
Albany, Auckland.
Ph 09-4157518
www.nationalaccountants.co.nz

References:

1: Master Tax Guide 10-945

2: Income Tax Act 2007, subpart DI, ss DO 4, DO 5, DO 12, DP 3, EE 62.

3: Commentary to the Taxation (Budget Measures) Bill (NO 2).

4: Law IT07 ss CC 15, DI 1, DI 2, DI 3, DI 4, DI 5, DI 6,