Investment Boost

What is Investment Boost?

Investment Boost is a new tax incentive for New Zealand businesses to invest in productive assets like machinery, tools and equipment. Businesses can deduct 20 per cent of the new asset's value from that year's taxable income, on top of normal depreciation. The deduction applies to new assets purchased from today, 22 May 2025.

Why is the Government introducing Investment Boost?

Investment Boost improves the cashflow from new investments, meaning more investment opportunities become financially viable and therefore take place. Business investment raises the productivity of workers, lifts incomes and drives long-term economic growth. By increasing the stock of capital in New Zealand, Investment Boost is expected to lift GDP by 1 per cent and wages by 1.5 per cent over the next 20 years, with half these gains in the next five years.

What impact will this have on businesses?

Businesses that invest will receive a tax benefit, giving them more money in the hand in the year they purchase a new asset. Business owners recognise the value of earlier deductions that can be reinvested and compounded when making investments. Investment Boost makes New Zealand a more attractive place to invest, and gives businesses facing global uncertainty a reason to keep investing in themselves and in the future of New Zealand.

How does Investment Boost work?

Businesses can deduct 20 per cent of the value of new assets in the year that they purchase the asset. You can claim both Investment Boost and a standard depreciation deduction in the year you purchase the asset. This allows businesses to accelerate the depreciation of their assets by taking a larger deduction in the year of purchase.

What assets does Investment Boost cover?

Investment Boost applies to the purchase of most new assets that are depreciable for tax purposes – common examples include machinery, equipment and work vehicles. Investment Boost also applies to the purchase of new commercial buildings, which do not allow depreciation deductions. Second-hand assets are generally not eligible for Investment Boost, but those that are sourced from overseas may be able to claim the deduction.

What assets does Investment Boost not cover?

To ensure Investment Boost is most efficiently lifting productivity, some assets are not eligible for the deduction, including:

- assets that have previously been used in New Zealand
- land (although land improvements, such as fencing, may be eligible)
- assets that will be held as trading stock
- residential buildings (dwellings)
- fixed-life intangible assets (such as patents)
- assets that are fully expensed under other rules (e.g., assets valued below $1000).

When am I able to claim Investment Boost?

You can claim Investment Boost in your tax return for the year that you purchase the asset.

Will foreign investors benefit from Investment Boost?

Investment Boost is claimable by any business that pays tax in New Zealand. Foreign residents who invest in New Zealand resident companies will benefit from Investment Boost. These investments will increase the productivity of New Zealand workers and flow through to higher wages for the employees of these companies.

Why have you chosen this policy instead of a company tax rate cut, for example?

In implementing Investment Boost, it was important to the Government that the policy maximise economic growth per dollar of foregone tax revenue. Compared to Investment Boost, reducing the company tax rate would generate less economic growth, dollar for dollar.

Example of Investment Boost in practice

An advanced manufacturing firm decides to invest in an environmental test chamber to analyse how its products withstand extreme temperature conditions. The chamber costs $200,000.

Under the status quo, the company can claim annual depreciation deductions of 10.5 per cent of the value of the chamber. This deduction reduces its taxable income in the year it purchases the machine by $21,000.

With **Investment Boost**, the company can claim 20 per cent of the value of the chamber ($40,000) as a tax expense in the year of purchase, in addition to the 10.5 per cent annual depreciation deduction on the remaining 80 per cent of the value of the chamber ($16,800). Together, these deductions reduce its taxable income in that year by $56,800.

Compared to making the investment under the status quo, **Investment Boost** means the company can deduct an additional $35,800 from its taxable income in the year it purchases the chamber. This translates to a reduction of over $10,000 in its tax bill, as the company tax rate is 28 per cent, and 28 per cent of $35,800 is $10,024. At the same time, the depreciation deductions it receives in future years will be smaller because it has claimed more deductions in the first year.

The company can make use of the timing advantage of receiving deductions earlier by reinvesting its additional after-tax income to increase its future returns.

FURTHER TECHNICAL INFORMATION

Do I have to claim Investment Boost?

No. Investment Boost is optional for new assets. You can still choose to depreciate your asset under the standard depreciation rules. This may be preferable for some businesses who expect to make sustained losses, such as start-ups.

How does Investment Boost work if my business will make a tax loss this year?

Investment Boost reduces taxable income by the amount of the deduction. If your business makes a tax loss, Investment Boost will increase the size of that tax loss. Tax losses can be carried forward into future years when the business makes a taxable profit.

How do I calculate my depreciation deductions after I have claimed Investment Boost?

The base from which standard depreciation is calculated is reduced by the amount of the Investment Boost deduction. In the year that you purchase the asset you can claim:

- 20 per cent of the value of the asset, plus
- the usual depreciation deduction, calculated as if the asset's value were reduced by 20 per cent.

Are there any limits on the number of assets I can claim Investment Boost for?

No. You can claim Investment Boost on all your eligible assets and there is no value limit.

Can I claim Investment Boost for assets I purchase from overseas?

Yes. Investment Boost can be claimed on both new and second-hand assets if they are purchased from overseas on or after 22 May 2025. Second-hand assets from overseas are eligible because these increase the capital stock, whereas assets traded between New Zealand businesses do not.

Can I claim Investment Boost for an asset that is only partly used in my business?

You can claim Investment Boost on the business-use portion of the asset. You cannot claim Investment Boost for an asset to the extent it is used for private purposes.

Can I claim Investment Boost on new buildings?

New commercial and industrial buildings are eligible for Investment Boost. Residential buildings and most buildings used to provide accommodation are not eligible for Investment Boost – though there are explicit exceptions for some buildings such as hotels, hospitals, and rest homes.

I have a construction project underway; can I claim Investment Boost when it's finished?

If you started a construction project before 22 May 2025, your asset may be eligible for Investment Boost. The asset needs to be used or available for use for the first time on or after 22 May 2025.

Are new capital improvements eligible for Investment Boost?

Yes. Improvements to depreciable property are eligible for Investment Boost if the asset they are improving is eligible for Investment Boost. (e.g., significant strengthening of an industrial building).

What happens when I sell my asset that I claimed Investment Boost for?

Just like depreciation, some or all of the deduction may be recoverable if the asset is disposed of (or deemed to be disposed of) and the consideration is more than the asset's adjusted tax value. Separate rules apply for assets that are not depreciable property.

Is anything else other than depreciable property eligible for Investment Boost?

Yes. Certain assets that get depreciation-like deductions but are not depreciable property are also eligible for Investment Boost. These include improvements to farm and forestry land (such as fencing), planting of listed horticultural plants, improvements to aquacultural businesses, and certain kinds of petroleum development expenditure and mineral mining development expenditure.

Can I claim Investment Boost and the R&D tax credit?

Yes. The deduction is an eligible expenditure for the purposes of the R&D tax credit.