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Property and Private Client Update: Budget 2025 'Investment Boost'

The Taxation (Budget Measures) Act 2025 introduced an Investment Boost scheme which will be of interest to the Property sector.

Background

On 22 May 2025, the Government released a factsheet (available to read **here**) summarising their new tax incentive to encourage businesses to invest. The Investment Boost allows companies to deduct 20% of a new asset's value from that year's taxable income. Of note for the property industry, the Investment Boost will apply to the purchase or construction of a new commercial building and is immediately available from 22 May 2025.

The Government subsequently passed the Taxation (Budget Measures) Act 2005 (it received Royal Asset on 29 May 2025) which amends the Income Tax Act 2007 to incorporate the new Investment Boost. Notwithstanding this, the Investment Boost changes took effect from 22 May 2025.

Key points

Summarised below are the key changes that the Government has made and how they might apply to your commercial property investments:

- **Standard depreciation**: A business can apply for both the Investment Boost deduction and the standard depreciation deduction in the year they build/purchase their asset;
- **Residential excluded**: Investment Boost applies to new commercial buildings only. Most buildings used to provide accommodation are excluded, however exemptions have been made for buildings such as hotels, hospitals and care homes;
- **Overseas investors can claim**: Provided that a business is paying tax in New Zealand, they are able to claim the Investment Boost deduction;
- **Seismic strengthening**: Investment Boost also covers new capital improvements to property, such as significant seismic strengthening of a property;
- **No cap or limit**: Investment Boost applies to all eligible assets and there is no value limit to the deduction;
- **Applies to a tax loss year**: If your business makes a tax loss, the Investment Boost will increase that tax loss which can be carried forward to a future year when the business makes a taxable gain;
- **Not mandatory**: If you would prefer to just use the standard depreciation rules and not claim Investment Boost, that is not an issue. Certain companies such as start-ups that expect to make sustained losses may prefer this route;
- **Mixed business/private assets**: You may use the Investment Boost for the business-use part of your asset. If you have built/purchased a mixed-use property then the Investment Boost will not apply to the private premises;
- **Ongoing development**: If your development commenced prior to 22 May 2025, but completed on or after that date, then it should still be eligible for Investment Boost;
- **Impact of sale**: As with standard depreciation, some or all of the Investment Boost can be recovered if the asset is disposed of for more than the adjusted tax value; and
- **Farm & Forestry**: Certain improvements to farm and forestry land such as fencing, planting of certain plants can also be eligible for the Investment Boost.

Next steps

The property industry has begun to analyse the details of the Investment Boost scheme and raise enquiries with the Government. For example, the Property Council is seeking clarity as to whether the scheme will apply to Build to Rent and Student Accommodation asset classes, given hotels and care homes are explicitly included.

Want to know more?

If you have any questions about the Investment Boost or how you might be able to apply this tax incentive to your business, please contact our specialist Property and Private Client Team.