

Income Tax – Non-resident software suppliers payments derived from New Zealand (PUB00266)

Submitted to Inland Revenue on 30 October 2026

Prepared by:



New Zealand Qualified Bookkeepers Association Limited

10 Domain Road, Whakatane, 3210

09 884 0309

info@nzqba.co.nz

Table of Contents

Executive Summary..... 2

Overall position..... 2

1. Provide a practical guide for New Zealand businesses and their advisers 3

2. Make the treatment of ordinary SaaS subscriptions more prominent 3

3. Provide clear practical indicators or “red flags” 4

4. Provide further practical examples involving personnel in New Zealand 5

5. Address documentation and recurring subscriptions 5

6. Include relatable small-business and late-discovery examples 6

7. Help businesses recognise when specialist advice may be required 6

Conclusion 7

Contributors 7

Executive Summary

The New Zealand Qualified Bookkeepers Association (NZQBA) represents and supports Bookkeepers working with businesses throughout New Zealand.

Our members work closely with small and medium-sized businesses and are often responsible for the day-to-day processing, coding and reconciliation of business transactions. This places Bookkeepers in a practical position to identify unusual transactions, raise questions with clients and, where appropriate, recommend that specialist tax advice is sought.

NZQBA welcomes the opportunity to comment on Inland Revenue's draft Interpretation Guideline PUB00266: Income Tax – Non-resident software suppliers' payments derived from New Zealand.

Overall position

NZQBA supports Inland Revenue's work to update and modernise this guidance. The way New Zealand businesses purchase and use software has changed significantly since the existing Interpretation Guideline was published in 2003. Cloud-based software and subscription services are now routine business expenses for businesses of every size.

We particularly welcome the inclusion of cloud computing transactions and the expanded guidance relating to distributors, resellers and value-added resellers.

Our comments are not directed at the technical interpretation contained within the draft. Instead, they focus on the practical accessibility and application of the guidance for small and medium-sized businesses and the Bookkeepers who support them.

The starting point for a Bookkeeper is often not a contract or detailed invoice. It may be a bank-feed or credit-card transaction, a payment confirmation forwarded into Hubdoc or similar software, and little information about what the product does. The owner may have subscribed and paid before the Bookkeeper becomes aware of the expense; sometimes a subscription is only identified six or twelve months later.

A small business may pay multiple overseas providers for accounting applications, document management, cloud storage, CRM systems, project management, payroll, communications and industry-specific software. The person processing those transactions needs to recognise an ordinary subscription and identify when something genuinely different requires attention, without turning every payment into a research project.

NZQBA therefore recommends concise, practical supporting guidance designed around the information that Bookkeepers and small businesses actually receive. As a usability benchmark, an initial check of a routine subscription should ideally take no more than approximately 15 minutes. This is a practical design target, not a proposed exemption from any tax obligation. Within that time, users should be able to identify the ordinary case, recognise missing information and know whether to investigate or refer the matter.

1. Provide a practical guide for New Zealand businesses and their advisers

The draft provides comprehensive guidance on classification and taxation of software transactions, including cloud computing services, copyright rights, copyrighted articles, know-how and development or modification services. It also explains that withholding obligations may arise through non-resident withholding tax (NRWT) or the non-resident contractor schedular payment rules.

For a tax practitioner dealing with international tax, this technical analysis is valuable. For a Bookkeeper looking at a bank transaction, the immediate question is simpler: Is there anything about this payment that requires further action?

NZQBA recommends a short companion resource, ideally a one-page decision tree or checklist, beginning with the evidence actually available: supplier name, payment description, owner's explanation, payment email or invoice if accessible. It should help users determine whether the payment appears to be ordinary access to cloud-based software, what further information is needed, and whether any exception may be present.

Useful prompts would include whether personnel perform services in New Zealand; whether the arrangement includes implementation, development or modification; whether rights to reproduce, distribute or commercially exploit software are provided; whether intellectual property or confidential know-how is involved; and whether the business acts as a reseller.

The checklist should separate three questions:

- (1) whether the expense is for a genuine business purpose and can be recorded appropriately;
- (2) whether sufficient evidence supports any GST treatment; and
- (3) whether the arrangement raises a separate income-tax withholding question.

We recognise that this consultation concerns income tax. A link to existing clear GST guidance would be more appropriate than expanding PUB00266 into a GST publication.

The purpose is not to remove the need for specialist advice, but to enable users to identify ordinary transactions quickly and recognise when more investigation is justified.

2. Make the treatment of ordinary SaaS subscriptions more prominent

NZQBA particularly welcomes Example 1: SaaS arrangement with New Zealand customer. It describes a New Zealand business paying a foreign provider a monthly fee for cloud-based business applications, including document and spreadsheet tools, communication platforms, enterprise applications, project management and customer relationship management tools. This is highly representative of transactions Bookkeepers see every day.

The draft classifies the arrangement as the provision of cloud computing services and a supply of services. It also confirms that the non-resident contractor schedular payment rules do not apply to SaaS without relevant personnel in New Zealand.

We recommend that Inland Revenue make the ordinary SaaS position much more prominent in the final supporting material, including the exclusion from the non-resident contractor rules for SaaS, PaaS and IaaS from 1 April 2026, except to the extent relevant personnel are located in New Zealand.

Illustrative examples could refer to Microsoft 365, Google Workspace, ChatGPT, Claude and industry-specific subscriptions, while making clear that a product name or brand is not itself a blanket determination of tax treatment. Facebook/Meta Ads and Google Ads could be included as contrasting examples of online advertising purchases, rather than suggesting every online payment is a software subscription.

A searchable reference resource explaining what common products do, what a typical transaction looks like and what documentation to request could be helpful, provided it clearly identifies circumstances where treatment may differ.

3. Provide clear practical indicators or “red flags”

Bookkeepers are unlikely to have access to, or routinely review, the detailed contractual arrangements behind every software subscription appearing in a client’s accounts. Requiring this for routine expenses would be disproportionate.

Inland Revenue should distinguish genuinely significant features from supplier marketing terminology. Words such as “licence”, “royalty” or “implementation partner” may be used commercially without telling a Bookkeeper what rights or services have actually been supplied. Guidance should explain the practical difference to look for, not expect users to interpret technical labels.

Potential indicators for further investigation include custom development or modification; personnel from an overseas supplier performing services in New Zealand; implementation, data migration, integration, customisation or training; rights to reproduce, distribute or commercially exploit software; intellectual property or confidential know-how; resale arrangements; or bundled software and additional services or rights.

These features do not necessarily mean withholding applies. Rather, they are prompts to gather more information or seek specialist advice. The draft indicates that services performed in New Zealand may raise non-resident contractor issues, while some payments involving intellectual property or know-how may be royalties. The companion guidance should explain this distinction in plain English, including for readers who have never dealt with withholding tax on software payments.

4. Provide further practical examples involving personnel in New Zealand

NZQBA recommends additional examples explaining the exception relating to personnel located in New Zealand. The draft confirms that, from 1 April 2026, the provision of SaaS, PaaS and IaaS is excluded from the non-resident contractor schedular payment rules except to the extent that services involve personnel located in New Zealand, subject to relevant exclusions and double tax agreement provisions.

Examples could consider an overseas software provider sending an employee to New Zealand for implementation; a provider with New Zealand-based personnel delivering onboarding or support; training delivered in New Zealand as part of a wider arrangement; or a small onshore component of a predominantly offshore service.

The examples should show what a Bookkeeper might see in the payment description or supporting paperwork, what to ask the owner and when to refer the matter for further advice.

5. Address documentation and recurring subscriptions

For many businesses, the most time-consuming issue is obtaining useful documentation. Invoices are often held inside a supplier portal, while the owner receives only a payment email. The Bookkeeper may have no login and must ask the owner to locate and forward the invoice, sometimes more than once.

NZQBA recommends that Inland Revenue clarify what records are sufficient for the income-tax questions addressed in this guideline when full billing documents are held in a portal, and whether a payment email containing key details or an accessible invoice download can assist. We recognise that this consultation cannot necessarily require overseas software suppliers to redesign their systems; the request is for clear, proportionate guidance about records and practical processes.

For recurring subscriptions, a practical approach worth exploring is retaining at least one current invoice or billing document each year for each supplier–client relationship, together with a short record of what the product does and refreshing that reference when the subscription or billing treatment changes. Inland Revenue should clarify what additional evidence is required for individual payments. NZQBA does not suggest that one annual invoice automatically substantiates twelve separate GST claims.

Supporting material could identify the details to capture where provided: supplier identity, transaction dates, amounts, subscription periods, invoice or reference numbers, and GST information. The guidance should also encourage owners to advise their Bookkeeper when signing up, explain the business purpose and identify where billing documents can be accessed. For example: *“I subscribed to this legal research tool to help produce work I charge*

clients for.” The Bookkeeper can identify missing information but cannot provide facts or account access held only by the business owner.

6. Include relatable small-business and late-discovery examples

NZQBA supports Inland Revenue’s use of examples and recommends one involving a very small business purchasing an ordinary overseas subscription, such as a trades business paying monthly for offshore-hosted job-management software, with no relevant personnel in New Zealand and no rights to reproduce or commercially exploit the product.

This could be contrasted with an arrangement that adds implementation, customisation or personnel in New Zealand, demonstrating why further consideration may be needed.

We also recommend an example where a Bookkeeper discovers an overseas subscription six or twelve months after payments began. The practical steps may include requesting billing documents, confirming business purpose, reviewing historical coding and correcting entries where required. In some cases, the entries will already be correct and only supporting documentation is missing.

The example should explain when a late discovery simply calls for better records and when a possible withholding obligation requires specialist review, including the next steps if the relevant payment has already been made. This is a common real-world situation that the technical guidance should help users navigate.

7. Help businesses recognise when specialist advice may be required

The draft appropriately recognises that treatment depends on the facts and circumstances. Some arrangements involve royalties, double tax agreements, permanent establishments, mixed transactions or apportionment. Value-added resellers, for example, may provide additional services or rights that create a mixed transaction.

NZQBA does not suggest that Bookkeepers or small business owners should make these complex international tax determinations themselves. Supporting guidance should clearly distinguish routine transactions with relatively straightforward treatment from arrangements with features that warrant investigation or specialist tax advice.

The objective is proportionate compliance: make ordinary payments easy to recognise, make missing-document requirements clear and reserve deeper investigation for genuine exceptions.

Conclusion

NZQBA supports Inland Revenue's proposed update to the Interpretation Guideline and welcomes its recognition of modern cloud computing and software arrangements.

Our principal recommendation is that the comprehensive technical guidance be accompanied by a concise and practical resource designed for the point at which transactions are actually recorded and processed. It should start from bank feeds, payment emails and incomplete information rather than assume the Bookkeeper has full contracts and supplier access.

Clear guidance on routine SaaS subscriptions, proportionate record-keeping, meaningful exception indicators, owner responsibilities and late-discovered payments would make the final publication considerably more accessible and useful to small businesses and their Bookkeepers.

Bookkeepers do not need to become international tax specialists, but they can play an important role in recognising when a transaction is outside the ordinary and needs further consideration.

NZQBA appreciates the opportunity to contribute to this consultation and would welcome further practical engagement as the guidance is finalised.

Contributors

NZQBA acknowledges the contribution of the following individuals in preparing this submission:

- **Sandi Gray and Kenn Cabigayan**, NZQBA
- **Emma Diver**, Balanced Books NZ
- **Angela Fisher**, ClockworX
- **Kellie Beaumont**, Released

on behalf of the New Zealand Qualified Bookkeepers Association.