MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

# COVERSHEET

| Minister | Hon Erica Stanford | Portfolio | Immigration |
|---|---|---|---|
| **Title of Cabinet paper** | Outcomes of the 2026 Recognised Seasonal Employer Scheme Policy Review | **Date to be published** | 5 August 2026 |

| List of documents that have been proactively released | | |
|---|---|---|
| **Date** | **Title** | **Author** |
| July 2026 | Outcomes of the 2026 Recognised Seasonal Employers Scheme Policy Review | Office of the Minister of Immigration |
| 1 July 2026 | Outcomes of the 2026 Recognised Seasonal Employers Scheme Policy Review<br>ECO-26-MIN-0120 Minute | Cabinet Office |
| 5 March 2026 | 2026 RSE Policy Review - Proposed scope and consultation | MBIE |
| 11 March 2026 | Industry recommendation for consultation - Accommodation settings industry proposal March 2026 FINAL | Industry, provided to MBIE |
| 14 May 2026 | Recommendations following the 2026 Recognised Seasonal Employer Scheme Policy Review | MBIE |

**Information redacted** **YES**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified and that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of confidential advice to government, international relations, legal professional privilege, privacy of natural persons, and free and frank opinions.

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

# BRIEFING

## 2026 RSE Policy Review – Proposed scope and consultation

| | | | |
|---|---|---|---|
| **Date:** | 5 March 2026 | **Priority:** | High |
| **Security classification:** | In Confidence | **Tracking number:** | 0027337 |

| **Action sought** | | |
|---|---|---|
| | **Action sought** | **Deadline** |
| Hon Erica Stanford<br>**Minister of Immigration** | **Agree** to the proposed scope, timelines and approach to the Recognised Seasonal Employer (RSE) policy review<br>**Agree to** the proposed targeted engagement plan<br>**Forward** this briefing to relevant Ministers for their information | 9 March 2026 |

| **Contact for telephone discussion (if required)** | | | | |
|---|---|---|---|---|
| **Name** | **Position** | **Telephone** | | **1st contact** |
| Sam Foley | Manager, Immigration (International & Humanitarian) Policy | Privacy of | Privacy | ✓ |
| Sophie Murphy | Senior Policy Advisor – Immigration (International & Humanitarian) Policy | Privacy of | | |
| Lee Gerrard | Principal Policy Advisor – Immigration Policy | Privacy of | | |

| **The following departments/agencies have been consulted** |
|---|
| Ministry of Foreign Affairs and Trade, Ministry of Social Development, Ministry for Primary Industries, Ministry for Pacific Peoples, Ministry of Health, Ministry for Ethnic Communities, Ministry of Housing and Urban Development and the Treasury. |

| Minister's office to complete: | ☐ Approved | ☐ Declined |
|---|---|---|
| ☐ Noted | ☐ Needs change | ☐ Seen |
| ☐ Overtaken by Events | ☐ See Minister's Notes | ☐ Withdrawn |

**Comments**

# BRIEFING

## 2026 RSE Policy Review – Proposed scope and consultation

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| **Date:** | 5 March 2026 | **Priority:** | High |
| **Security classification:** | In Confidence | **Tracking number:** | 0027337 |

## Purpose

This briefing seeks your agreement to the objectives, scope, and timelines of the 2026 Recognised Seasonal Employer (RSE) policy review. It also seeks your agreement to the proposed targeted engagement plan.

## Executive summary

Since its inception in 2007, there have been several attempts to review the settings of the RSE scheme. The most recent review in 2022–23 found that the scheme is delivering positive benefits for participants and was generally achieving its objectives. However, the review identified a range of issues and proposed significant reforms to ensure that the underlying settings of the scheme keep pace with its growth and changing context. Cabinet noted the proposals but did not progress them at the time due to some unresolved fiscal and implementation questions. The underlying challenges identified in the review have since intensified, with industry, agencies, and the Pacific continually raising the need for resolution to previous work undertaken.

As discussed at a meeting with officials on 18 February, this briefing seeks your agreement to the proposed objectives, scope and timeframes for this review. It also seeks your agreement to undertake targeted consultation from mid-March to mid-April.

*Recommended objectives and key policy assumptions*

We propose the overarching objective for the review is to: *"Ensure that RSE is delivering on its 'triple win' objective to benefit the Pacific, workers and industry, by exploring options for:*

- *Reducing the burden on employers*
- *Improving worker wellbeing*
- *Providing greater clarity and transparency for requirements across the scheme."*

We are not proposing changes to the overarching objectives of the RSE scheme (which include ensuring New Zealanders have first opportunities for roles), so options will also be considered in the context of these objectives. As discussed with you, we are not proposing to consider more structural changes to RSE, such as folding it into AEWV. We have also advised stakeholders that this review will not include putting RSE online, which is an ongoing frustration for users of the scheme. RSE is scheduled to be put online in mid-2029.

*Recommended scope and timeframes*

The recommended scope is based on previous review work, engagement with stakeholders, and known pain points across the scheme:

- Employer settings: accreditation/status duration and requirements, and strengthening compliance settings.
- Agreement to Recruit and Labour Market settings: overall cap and cap allocation, “Agreement to Recruit” (ATR) duration, Labour Market testing, and ATR settings and processes.
- Visa settings and worker welfare: consideration of visa length (i.e. one or multiple seasons), health insurance settings and access to health care, pastoral care requirements, worker voice representation, and ability for training/upskilling/role differentiation.
- Accommodation standards and cost recovery: accommodation standards, and guidance/clarity around the amounts and ways of recovering costs incurred by employers on behalf of employees (including transport – a priority highlighted by industry).

Industry, through Horticulture New Zealand, has provided proposals for their priorities within these areas (included at **Annexes Three–Five** for your information). These proposals will be considered as part of the review.

At last year’s RSE conference, you signalled that you would provide an update on progress of the review at this year’s conference. The proposed timeline is designed so you can take a Cabinet paper in early July and announce the outcome at the July conference. Timeframes are tight and carry risk. We will provide regular updates as work progresses via your Weekly Report.

*Proposed approach to consultation*

To meet the proposed timeframe, we recommend a targeted, time-limited consultation process focused on key agencies, Pacific governments, industry, and worker representatives. We propose a mix of in-person engagements in New Zealand and parts of the Pacific, supported by virtual meetings and written feedback. Draft material we propose to send for consultation subject to any feedback, is at **Annex One**; the list of stakeholders we propose to engage with is at **Annex Two**.

International relations [redacted]

Advice will be provided to you in early May with the outcomes of consultation, and recommended proposals for Cabinet consideration.

## Recommended action

The Ministry of Business, Innovation and Employment (the Ministry) recommends that you:

a **Agree** to the proposed objective of the policy review: “Ensure that RSE is delivering on its ‘triple win’ objective to benefit the Pacific, workers and industry, by exploring options for:

- Reducing the burden on employers
- Improving worker wellbeing
- Providing greater clarity and transparency for requirements across the scheme.”

*Agree / Disagree / Discuss*

b **Agree** to the broad proposed scope of the policy review, as outlined in Table One, with dedicated workstreams on:

- Employer settings
- Agreement to Recruit and labour market settings
- Visa settings and worker welfare
- Accommodation standards and cost recovery

*Agree / Disagree / Discuss*

c **Agree** that officials undertake targeted engagement, based on the material attached at Annex One, with Pacific stakeholders, the horticulture and viticulture industry, and other Government agencies (as outlined in Annex Two)

*Agree / Disagree / Discuss*

d **Agree** to the proposed timelines of the policy review, including:

- Policy development and four weeks of consultation in March and April
- Analysis of submissions and a report back to you in May
- A briefing and draft Cabinet paper to you in June, and
- Cabinet decisions and subsequent announcements at the annual New Zealand RSE Conference in July

*Agree / Disagree / Discuss*

e **Agree** to forward this briefing to the Ministers of Foreign Affairs, Agriculture, Associate Agriculture, State for Trade and Investment, and Social Development and Employment, for their awareness, given the significant interest in RSE across these portfolios.

*Agree / Disagree / Discuss*

Sam Foley
**Manager, Immigration (International & Humanitarian) Policy**
Labour, Science and Enterprise, MBIE

05 / 03 / 2026

Hon Erica Stanford
**Minister of Immigration**

___ / ___/ 2026

## Background

1. The RSE scheme began in 2007, allowing businesses in the horticulture and viticulture industries to recruit workers from Pacific Island countries[1] for seasonal work. The scheme has been transformative for these industries, allowing significant growth and making a direct contribution to the economic security of Pacific workers, their families and communities.

### There have been several changes to, and reviews of, the scheme since its inception

2. While there have been ad-hoc adjustments to the scheme, no substantive review has been completed. In 2022, the then Minister of Immigration started a RSE review focused on worker wellbeing, improving employment practices, and ensuring long-term scheme sustainability.

3. In late 2023, just prior to the election, Cabinet noted the outcomes of the review, with an intended report-back in early 2024. This was delayed due to the subsequent election and change of Government, contributing to frustration among industry, agencies, and Pacific partners who remain eager to see the review completed.

4. In September 2024, the Government introduced a series of targeted changes that balanced reducing costs and compliance needs for employers, and benefits for RSE workers. This included:

    - Increasing the RSE cap to 20,750, an increase of 1,250 workers.
    - An ability for employers to average out the 30-hour minimum weekly work requirement over four weeks (rather than each week).
    - Introducing the requirement for employers to pay RSE workers at least the Adult Minimum Wage plus 10% if they are returning for their third or subsequent seasons (previously this was for all workers).
    - Flexibility for RSE workers to move between employers and regions was increased. The grace period for the movement of workers was extended from 14 to 21 days either side of the worker's move date, as approved on the ATR.
    - Adding Timor-Leste to the list of countries able to participate in the RSE scheme.
    - Providing RSE workers with the ability to leave and return to New Zealand during a season, as RSE workers are now granted a multi-entry visa.
    - Clarifying that RSE workers may be able to study, train and develop skills, even if it is not directly related to their role. Training does not have to take place through industry training organisations.
    - Removing the HIV screening of RSE workers.

5. You have also recently agreed to a new cost methodology for accommodation.

[1] Current policy prioritised 'Pacific' countries, being: Federated States of Micronesia, Fiji, Kiribati, Nauru, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu. Employers may be able to recruit from other countries in some circumstances.

6. While these changes have addressed key pain points, industry, agencies, and the Pacific have consistently raised the need for the broader review to be completed to address more structural issues.

## We recommend a review focused on known issues, rather than significant changes to the schemes overarching objectives

### Many of the historic problems with the scheme remain

7. Previous review work identified areas where standards have become outdated or unclear, including accommodation and pastoral care. Administrative systems have not kept pace with scheme growth over the past 19 years, and compliance activity remains un-targeted and under-resourced.

8. Updates and clarification are needed across a range of standards including for accommodation and pastoral care. New challenges have also emerged, including interactions with employment law following the Soapi v Pick Hawkes Bay Employment Court decision and industry comparisons to new seasonal visas you introduced through the AEWV in December last year.

9. International relations [redacted]

10. The issues are wide-ranging, encompassing aspects from fundamental policy settings in the scheme through to the daily employee and employer experience in the scheme, such as worker wellbeing and employer reporting requirements. A new, dedicated review of the RSE policy settings is needed in order to address these issues and ensure the scheme continues to provide a ‘Triple Win’ for the Pacific, workers and industry.

### We recommend maintaining the existing objectives and principles of the RSE scheme

11. We recommend the overarching objective for the review is to: *“Ensure that RSE is delivering on its ‘triple win’ objective to benefit the Pacific, workers and industry, by exploring options for:*

- *Reducing the burden on employers*
- *Improving worker wellbeing*
- *Providing greater clarity and transparency for requirements across the scheme.”*

12. We recommend maintaining the existing objectives for the RSE scheme[2]:

- Allowing horticulture and viticulture businesses to continue to supplement their New Zealand workforce with non-New Zealand citizen or residence class visa holder workers when labour demand exceeds the available New Zealand workforce and employers have made reasonable attempts to train and recruit New Zealand citizens and residence class visa holders; and

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[2] As outlined in immigration instructions.

- Promoting best practice in the horticulture and viticulture industries to support economic growth and productivity of the industry as a whole, while ensuring that the employment conditions of both New Zealand and non-New Zealand citizen or residence class visa holder workers are protected and supported; and

- Encouraging economic development, regional integration and good governance within the Pacific, by allowing preferential access under RSE Instructions to workers who are citizens of eligible Pacific countries; and

- Ensuring workers are adequately paid and financially benefit from their time in New Zealand; and

- Ensuring the scheme results in outcomes that promote the integrity, credibility and reputation of the New Zealand immigration and employment relations systems.

13. Balancing these objectives will be challenging. Partners in the scheme have differing priorities and may have conflicting views on ideal outcomes, particularly at the interface of compliance settings and worker protections. Progressing changes will require careful consideration of the trade-offs, to preserve the scheme's over 'Triple Win' objective.

## A tightly focused and meaningful scope is key to delivering the review to stakeholders' expectations in the timeframes

14. In your meeting with officials on 18 February, you supported the proposed scope, and agreed that more fundamental changes, such as folding RSE into AEWV, would not be considered. Following this discussion, we have proposed that the review considers known issues canvassed in the previous reviews (and identified since), rather than a first principles approach.

15. The recommended scope is, therefore, based on a stocktake of known issues, utilising material from the previous reviews and by gaining insights from key stakeholders. The scope has been largely informed by this engagement, with industry, agencies and the Pacific providing feedback to inform this advice.

<u>Table One: Proposed scope</u>

| Workstream | Proposed focus areas |
|---|---|
| **Employer settings** | • Increasing accreditation/status duration (for all, or only lower risk employers).<br>• Rebalancing accreditation/status requirements from front-end to back-end checks, with better linkages to ATRs and aligning with AEWV where it makes sense.<br>• Clarifying roles, responsibilities, governance and decision-making powers in the compliance space.<br>• Clarifying and strengthening available powers and compliance tools for INZ and the Labour Inspectorate.<br>• Determining scales for breaches established.<br>• Clarifying appropriate responses/consequences for different levels of breach.<br>• Clearer operational guidance to accompany policy changes. |

| Workstream | Proposed focus areas |
|---|---|
| | • Increased resourcing and funding for compliance activities.<br>• Consideration of the overall cost (including consideration of funding/FTE needs of INZ and the Labour Inspectorate). |
| **Agreement to Recruit and Labour Market settings** | • Cap and cap allocation – including consideration of moving to a longer-term model to give employers and the Pacific more certainty.<br>• Increasing the ATR duration or looking at options to reduce the burden of annual ATRs.<br>• Labour Market Test and consideration of automatic labour market-based triggers.<br>• ATR settings and the joint ATR process (including flexibility in worker movement and emergency responses and general ATR requirements).<br>• Cost (including consideration of funding/FTE needs of INZ, the Labour Inspectorate and MSD). |
| **Visa settings and worker welfare** | • Visa settings including consideration of a multi season visa.<br>• Health insurance settings and access to health care.<br>• Clearer pastoral care requirements including worker voice representation in the scheme.<br>• Ability for training/upskilling/role differentiation and onshore education. |
| **Accommodation standards and cost recovery** | • Accommodation standards.<br>• Improved guidance/clarity around allowable cost recovery – including transport and in the context of the recent Soapi v Pick Hawkes Bay case including minimum take home pay after deductions. |

*Items out of scope*

16. We recommend the following items be out of scope. These are either low priority amongst stakeholders, not deliverable within timeframes, or dependent on a wider process of change (i.e. Our Future Services):

- Online administration: RSE is not due to be added to ADEPT until mid-2029, and will therefore need to remain paper-based despite industry and Pacific requests.
- Pacific preference: this is a core principle of the scheme, and we do not recommend it be altered.
- Changes to the visa's intent: the visa is seasonal and cyclical as a core feature, and we do not recommend that this feature undergo change.
- Changes to minimum hours or wage requirements: these have been changed recently, and we do not consider they need further changes at this time.
- Worker selection processes: country quotas, limits on years in the scheme, gender balance, and prior work experience (such as healthcare workers) will remain for Pacific countries and employers to determine rather than attempts to regulate them through the scheme.

- Accommodation cost methodology: these changes have only recently been announced and will be implemented on 1 April.

17. We note that the scope and options being considered may change as a result of ongoing engagement. We will provide you with regular updates.

*Feedback on the scope*

18. The proposed scope has been circulated to key agency[3], industry[4] and Pacific[5] partners for feedback. Key feedback received is outlined below.

19. Horticulture New Zealand (on behalf of key industry bodies) has confirmed industry's support for the scope, which aligns with their priority areas (set out in Annexes Three to Five) of alignment of settings, transport cost recovery, and accommodation standards. New Zealand Ethical Employers also support the scope and have provided options which will be considered in the review.

20. The Ministry of Social Development (MSD) has signalled their priorities for the review as the ATR and Labour Market Test settings, enforcement of MSDs role in the scheme (through the broader compliance workstream), and the overall cap of the scheme and the proposed methodology to set the cap. They are also interested in clearer guidance on processes and stronger information sharing.

21. The Ministry of Foreign Affairs and Trade (MFAT) views the review as an opportunity to ensure settings reflect New Zealand's strategic and economic interests, as well as Pacific partners' priorities. They recommended a change to the overarching objective of the review in this context[6], however, we consider the current wording is more familiar to the majority of stakeholders. They stress the importance of alignment with wider regional commitments, and maintaining a genuine partnership approach.

22. The Ministry for Primary Industries (MPI) supports the scope of the review, alongside its objectives, timelines, and consultation plan as outlined in this briefing. MPI agreed with the scope, noting it captures previous areas of concern.

23. The Ministry of Health support the inclusion of health-related issues, and note there is an opportunity for more coordination and engagement role between industry and healthcare providers.

24. We recommend forwarding this briefing to relevant Ministers given their portfolio interests.

## Timing is tight to deliver decisions by the end of July

25. In response to ongoing concerns from the industry, you have publicly signalled you will be providing an update regarding the scheme and the policy review at this year's New Zealand

[3] The Ministry of Foreign Affairs and Trade, Ministry of Social Development, Ministry for Primary Industries, Ministry for Pacific Peoples, Ministry of Health, Ministry for Ethnic Communities, Ministry of Housing and Urban Development and the Treasury.

[4] Including: Horticulture New Zealand, New Zealand Ethical Employers, New Zealand Wine, New Zealand Kiwifruit Growers, New Zealand Apples and Pears, Summerfruit NZ and Vegetables NZ who subsequently were able to share this further with their members (RSE employers).

[5] The proposed scope and timeframes for the review was shared by MFAT via formal message to relevant posts on 25 February 2026.

[6] MFAT's proposed wording for the objective was: *"Ensure that RSE is delivering against New Zealand's strategic interests by delivering benefits to Pacific countries, workers and industry".*

RSE Conference in July. To achieve this, we recommend the timelines outlined in the table below.

Table Two: Proposed timelines

| Timing | Stage |
|---|---|
| 16 March to 10 April | Consultation and internal options analysis |
| 10 April to 6 May | Analysing feedback and options, preparing recommendations |
| 7 May | Advice provided to you on feedback received, and recommended options to take to Cabinet |
| 11 to 26 May | Drafting Cabinet paper on outcomes of the review |
| 28 May | Draft Cabinet paper provided to you seeking your approval to undertake consultation |
| 2 to 16 June | Ministerial and agency consultation (combined) |
| 25 June | Lodge Cabinet paper |
| 1 July | Cabinet Economic Policy Committee |
| 6 July | Cabinet |
| 27-29 July | Announcement at RSE conference |

## Consultation approach

26. Engagement with key industry and Pacific partners is essential, but time constraints require a targeted and streamlined process. Subject to any feedback, we seek your agreement to consult based on the material attached in **Annex One** with the key stakeholders[7] listed in **Annex Two**.

27. Officials are finalising a consultation plan now, which will include:

- At least four weeks (from March to April) for stakeholders to review material and provide written feedback.
- A series of in person engagements in key regions across the country[8] with industry (including RSE employers) and other key stakeholders.
- While it is being confirmed, the intent is for some in person engagement to occur in the Pacific also. We will provide you with further information about this as it is confirmed.
- A series of online engagements for those unable to make in person visits.

28. Due to the time constraints, we do not recommend wider public consultation as this would require Cabinet agreement to a draft consultation document, as well as a longer process for analysing submissions.

[7] Including industry bodies and RSE employers, Pacific Governments, workers (where possible), key agencies, local councils, insurers, key academics and immigration reference groups.
[8] Including visits to key areas, including Central Otago, Marlborough/Nelson, Hawkes Bay, and the Bay of Plenty.

International relations [redacted]

29. A guiding principle of RSE is the treatment of the scheme as partnership between New Zealand and the Pacific. It is crucial that this review is carried out in close and active consultation with Pacific governments, communities and the RSE workers themselves.

30. Consultation for the 2022-23 review included a two-day Pacific Talanoa in Auckland, with MFAT funding Pacific government representatives to attend and also engage in a review of MFAT's labour mobility development support programmes. Free and frank opinions [redacted]

Free and frank opinions [redacted] MBIE officials are exploring available avenues to facilitate in-person consultation, including by capitalising on planned upcoming delegations visiting New Zealand International relations [redacted] In addition to this, we intend to hold workshops in some, but not all, Pacific sending countries (to be determined).

32. Free and frank opinions [redacted]

[redacted]

[redacted]

## Next steps

35. We recommend you forward this briefing to the Ministers of Foreign Affairs, Agriculture, Associate Agriculture, State for Trade and Investment, and Social Development and Employment, for their awareness given the significant interest in RSE across these portfolios.

36. Following any feedback and your agreement to our approach to the policy review, we will proceed with policy development and consultation with stakeholders.

37. Regular updates will be provided to you via your Weekly Report. A further briefing will be provided to you in early May with the outcomes of consultation, and recommended proposals for Cabinet consideration.

38. Officials are available to discuss the contents of this briefing as required.

# Annexes

**Annex One:** Draft material for consultation on the RSE review

**Annex Two:** Proposed stakeholders for consultation

**Annex Three:** Industry recommendation – alignment of RSE settings

**Annex Four:** Industry recommendation – a new transport cost methodology model

**Annex Five:** Industry's draft recommendation – new accommodation standards

# Annex One: Draft material for consultation on the RSE review

# 2026 RSE Policy Review

Consultation – March – April 2026

# Overview of the 2026 RSE Policy Review

# Context and objectives for changes to RSE

## The 2022/23 review and changes since

- The 2022/23 review highlighted a number of concerns with the RSE scheme and recommended significant change be progressed. Ultimately, due to competing work programme priorities these are yet to occur.

- Instead, in September 2024, the Government introduced interim changes that balanced reducing costs and compliance for employers and increasing benefits for RSE workers:
  - The RSE cap increased to 20,750.
  - Employers can average out the 30-hour minimum weekly work requirement over four weeks (rather than each week).
  - Employers must pay RSE workers at least the Adult Minimum Wage plus 10% if they are returning for their third + season.
  - The grace period for the movement of workers was extended from 14 to 21 days.
  - Timor-Leste was added to the list of countries able to participate in the RSE scheme.
  - RSE workers are able to leave and return to New Zealand during a season, as RSE workers are eligible for a multi-entry visa.
  - Clarified that RSE workers may be able to study, train and develop skills, even if it is not directly related to their role. Training does not have to take place through industry training organisations.
  - RSE workers no longer need to be screened for HIV.
- Subsequently, a new accommodation cost methodology has been agreed and is currently scheduled to be implemented on 1 April 2026.

## The 2026 review

- The 2026 review picks up from the 2022/23 review and seeks to address concerns raised since (e.g. following the recent Employment Court decision).
- The overarching objective for the review is: “*Ensure that RSE is delivering on its ‘triple win’ objective to benefit the Pacific, workers and industry, by exploring options for:*
  - *Reducing the burden on employers*
  - *Improving worker wellbeing*
  - *Providing greater clarity and transparency for requirements across the scheme.”*

# What we are seeking from you

- Feedback on the options across four main areas:
  - Employer and compliance settings
  - The Agreement to Recruit (ATR) settings and Labour Market levers (including the cap)
  - Worker welfare and visa settings
  - Accommodation standards and cost-recovery
- Any other options that you think could improve the system
- Anything else about the RSE scheme you'd like to raise

# Process for providing feedback

- **Feedback is due end of day 10 April 2026.**
- Feedback can be provided via email to RSEpolicyreview@mbie.govt.nz and/or during engagements.
- Engagements will occur in person in Levin, Tauranga/Bay of Plenty, Hawkes Bay, Marlborough/Nelson, and Central Otago as well as in the Pacific.
- There will also be the opportunity to attend virtual engagements.

# Thank you in advance for your time and engagement

# Employer and compliance settings

# Status/accreditation duration and settings

*What we've heard:*

- RSE is complex with significant administrative burden.
- Status renewals take significant time for little perceived value.

*What we're considering:*

- Rebalancing the approach to front vs back end checking,
- Reducing the burden of status renewals, and
- Incentives for employers to meet higher employment standards through our settings.

***Potential options:***

**Status duration**

Initial two years

AND

Subsequent status lasts for three years (status quo)

OR

Four years

Five years

Six years (Industry recommended)

**We are interested in hearing from you:**

- If progressed, should increased status duration apply to all employers or just to "good" / "lower-risk" employers?
  - If the latter, what requirements should employers need to meet to receive longer status duration? Should this be graduated?
- Are there particular pain points in status renewals or applications we should address?
- For employers – would you be comfortable paying a higher upfront status fee if there were fewer times you had to reapply and/or it could improve the speed of processing?

# Compliance settings

## *What we've heard:*

- The compliance system is under-resourced and lacks incentives to drive good employment practices and adequate levers to address bad practice.
- Those intentionally breaching the rules should be sanctioned, but some minor breaches may be a result of a lack of clarity in system settings which may not be intentional.

## *What we're considering:*

- How to address current gaps (between formal warnings and revocation):
  - *Compliance levers currently available are:*
    - *Bringing potentially prejudicial information to the attention of the employer and providing the opportunity to rectify any concerns,*
    - *Formal warnings for non-compliance, and*
    - *Revocation of status/accreditation.*
- A graduated assurance model, where greater checks are in place for "higher-risk" employers and fewer for "lower-risk" employers,
- Whether additional levers are needed to address employer non-compliance and/or incentivise employer compliance, and
- Whether the Labour Inspectorate and/or others need further resourcing to support compliance activities and improve timeliness.

## ***Potential options:***

**Approaches to address non-compliance**

Status revocation (status quo)

AND

Other levers which …

- Reduce cap allocation for subsequent seasons
- Utilise existing infringement and sanctions regimes
- Target greater back-end checks to higher risk employers

## **We are interested in hearing from you:**

- What levers should the system have to address non-compliance? Are there other options we should be considering?
- Are there particular pain points in the compliance system we should address?
- Should we scale enforcement based on risk factors?
- Where do you think the biggest risks lie in the system?
- To what extent should compliance performance align with accreditation duration?

# The Agreement to Recruit (ATR) settings and Labour Market levers

# ATR duration and settings

*What we've heard:*

- ATRs are complex and burdensome for employers and delays in approving ATRs can cause significant stress and have financial costs (e.g. if flights are missed).
- Current settings limit flexibility for employers, workers and government which is not conducive to responding to rapidly evolving circumstances (i.e., weather events) and alleged cases of exploitation and mistreatment.

*What we're considering:*

- How we can best ensure that the ATR is fulfilling its purpose to ensure New Zealanders are first in line for jobs while acknowledging the need for RSE workers to help fill supply gaps,
- Whether we should move the ATR to a longer model,
- Allocation mechanics, including possible streamlining that could occur (e.g.. moving the suitable accommodation and/or pastoral care elements out of the ATR and into the status determination or a separate process) so the ATR is more focused on its core labour market objectives.

***Potential options:***

| | | | | |
|---|---|---|---|---|
| **ATR duration** | Annual (status quo) | OR | Could be up to three years for... | Every employer (i.e. supported by a workforce plan) OR Employers who have been 'endorsed' by MSD* |
| **ATR settings** | Status quo | OR | A streamlined ATR and separate accommodation approval process | * An endorsement could be based on Jobseeker placements and/or an ongoing relationship with MSD |

## We are interested in hearing from you:

- What works and doesn't work with the current ATR process?
- For employers: Would you support moving to a longer term approach for an ATR, including if it meant further input upfront to demonstrate prioritisation of the domestic labour market and/or came at a higher cost?
- Do you have any feedback on the 'joint ATR' process?
- Do you have any other views on how to improve the ATR while maintaining its core purpose to ensure the domestic labour market has been tested?

# Cap and cap allocation

*What we've heard:*

- The cap and allocation system does not support long-term planning and investment for Pacific or New Zealand governments and employers.

*What we're considering:*

- A longer term approach to setting the cap and cap allocation to give employers and Pacific partners more certainty,
- Given it has not been met in recent years, whether the cap is still a useful part of the system (particularly with concerns about labour drain from some sending countries).

***Potential options:***

**Cap and allocation**

Annual and in cases, ad hoc (status quo)

OR

A longer term approach which…

Could be set in three yearly cycles

AND

Would build in formal roles for Industry, Pacific Partners and MSD in the cap setting process

## We are interested in hearing from you:

- Do you think we still need a cap? Why?
- Would you support moving to a longer term model to set the cap and allocation of cap spaces?
- How do you think the cap should be determined?

# Worker welfare and visa settings

# Visa settings

*What we've heard:*

- Current one-year visa cycles limit planning and flexibility.
- The cost to workers for annual reapplication is frustrating.

*What we're considering:*

- Whether RSE visas should last multiple seasons and how would this affect other parts of the system (e.g. upfront health requirements and the cap allocation),
- Whether and how we could increase flexibility for workers to change employers while onshore,
- Whether RSE should remain a limited visa (limiting the ability to apply for other visas onshore and certain appeal rights).

***Potential options:***

**Visa settings**

- 7-9 month duration (status quo)
- Limited visa status (status quo)
- Visa linked to specific employer/s (status quo)

OR

Changes including…

- A two season visa
- A three season visa
- Removal of limited visa status
- More flexibility for workers to move between employers or regions in some circumstances

**We are interested in hearing from you:**

- What are the impacts of visa duration being limited to single seasons?
- For employers- what would you be prepared to do to facilitate multi-season visas? (e.g. offering guaranteed contracts, or advising INZ when workers do not return).
- Longer visas trigger health screening (and X-ray) requirements – would accessing/needing to provide these be a barrier or reduce the benefit of allowing multiple seasons under one visa?
- In what circumstances should workers be able to change employers without requiring a new ATR?
  - Eg in cases of adverse weather events or of employer non-compliance.

# Healthcare and insurance

*What we've heard:*

- Health insurance can be costly and limits the returns for workers to take home.
- Workers continue to face barriers to accessing healthcare while in New Zealand.

*What we're considering:*

- Whether current settings strike the right balance of cost and coverage,
- Access to healthcare in New Zealand.

***Potential options:***

**Healthcare**

- Single-user health insurance procurement (status quo)
- Varied availability of language/culturally sensitive healthcare (status quo)
- Acceptable health standards set by insurance providers (status quo)

OR

Changes including…

- Investigate options to reduce costs and increase coverage
- Stronger pastoral care requirements to ensure access to healthcare
- Longer visa durations that require a medical and x-rays

**We are interested in hearing from you:**

- What is easy or hard about currently accessing healthcare?
- For employers – Do you employ or contract a pastoral care facilitator and how do you delegate their responsibilities?
- Are there any known gaps or issues with current insurance requirements?
- Do you think that insurance coverage requirements are at the right level (to balance comprehensiveness with cost)?

# Worker voice and pastoral care (excluding accommodation)

*What we've heard:*

- Pastoral care requirements are unclear and can be burdensome for employers.
- Workers don't always feel supported and safe to use existing channels to raise concerns.

*What we're considering:*

- What pastoral care requirements should be in place, and clarity around those,
- Whether an RSE specific complaints should process be introduced,
- How we could increase worker voice representation in the scheme.

***Potential options:***

**Pastoral care**

Broad and evolving care requirements (status quo)

Country Liaison officers or High Commissions are the primary supports for concerns or complaints (status quo)

OR

Changes including…

- Clarifying and standardising pastoral care expectations
- Requiring use of pastoral care providers and/or standardised pastoral care plans
- An RSE specific complaints process
- Identifying a role for worker voice representatives in the scheme

**We are interested in hearing from you:**

- What is working well, and not working well with current pastoral care settings?
- For workers – if you had a problem with your employer that you needed help with, how would you prefer to ask for that help?
- For employers - Do you have suggestions for how we can balance the level of up-front checks, with the frequency of subsequent checks?

# Training, upskilling and role differentiation

*What we've heard:*

- Training and upskilling are valuable opportunities to maximise benefits of the RSE scheme.

*What we're considering:*

- Should experienced RSE workers be able to access training towards more skilled RSE related roles while working in New Zealand?
- Can provision of take-home skills and training for RSE workers be improved or broadened, in addition to offerings through MFAT's Noa programme?

***Potential options:***

**Training, upskilling and role differentiation**

Employer provided induction and on-job training (status quo)

Strong restrictions on the tasks and responsibilities for RSE workers (status quo)

Access to take-home education and training limited by training capacity and funding (status quo)

AND

Changes including…

Broadening the roles workers can undertake onsite

Broadening access to training

Mechanisms for further recognition of skilled and experienced RSE workers

**We are interested in hearing from you:**

- Where would training/upskilling add most benefit?
- Would you be interested in introducing further work opportunities for RSE workers with specific training or micro-credentials (e.g. forklift licenses, or leadership training) which could be linked to higher wages?

# Accommodation standards and cost recovery

# Accommodation

*What we've heard:*

- Accommodation standards are unclear, subjective, and out of date, causing inconsistency and confusion for all parties.
- Current standards are complex and may no longer be fit for purpose.

*What we're considering:*

- Modernising the Accommodation Standards Framework,
- System-level strengthening of monitoring and enforcement,
- Greater clarity and improved transparency,
- Industry proposal on new accommodation settings (attached).

***Potential options:***

**Refreshed Standards**

- Alignment with other housing standards
- Adjustment of requirements and incentives
- Separated out processes

AND

Improved transparency/clarity

- Clearer guidance
- Greater balancing of discretion vs ambiguity
- Improved transparency at recruitment

## We are interested in hearing from you:

- What are the pain points in the accommodation standards we should address?
- Where and how do you see the lines between minimum standards, room for discretion, and unhelpful ambiguity?
- Are there other options we should be considering?

# Cost recovery

*What we've heard:*

- Recent Court decisions have created significant uncertainty for employers about allowable deductions.
- Employees face a wide range of cost recovery arrangements that can significantly reduce take-home pay, which are often inconsistent across employers and lacking transparency at recruitment.
- Unclear rules put employers at-risk of non-compliance.

*What we're considering:*

- How immigration settings around cost recovery interacts with employment law,
- Approach to transport related cost recovery (see Industry proposal attached),
- Clarity, consistency, and guidance,
- Cost-sharing responsibilities.

***Potential options:***

**Standardised Allowable Cost-Recovery Framework**

Templates and guidance

Inappropriate cost recovery and thresholds

Cost-sharing

AND

Transport

Domestic travel

Personal vs employment-related use

## We are interested in hearing from you:

- What challenges are there in the current settings?
- Should there be a minimum take home pay requirement, or more rules around the timing of cost recovery?
- What alternative arrangements do, or should, exist?
- What would you like to see in a cost recovery framework, and why?

# We welcome your views

- On the options outlined.
- Whether there any other key issues/pain points with the RSE these options do not address
- Whether there are other options you would like us to consider

# Next steps

- Provide any written feedback by **end-of-day 10 April** to RSEpolicyreview@mbie.govt.nz.
- MBIE will report back to the Minister of Immigration in early May.
- Cabinet will consider final proposals in July.
- Implementation timing will depend on the complexity of options progressed and capacity for change across the immigration system.

## Annex Two: Proposed stakeholders for consultation

| | |
|---|---|
| **Pacific** | Pacific Governments |
| | Country Liaison Officers |
| | Pacific Leaders Forum |
| | Labour Sending Units |
| **Industry** | Horticulture NZ |
| | New Zealand Ethical Employers |
| | New Zealand Winegrowers |
| | New Zealand Kiwifruit Growers |
| | Vegetables New Zealand |
| | Summerfruit New Zealand |
| | New Zealand Apples and Pears Incorporated |
| | RSE National Labour Governance Group |
| | RSE employers |
| **Workers** | RSE workers (where possible) |
| **Local Government** | Regional councils |
| **Agencies** | Ministry of Social Development (including Regional Commissioners and Labour Market Managers) |
| | Ministry of Foreign Affairs and Trade |
| | Ministry for Primary Industries |
| | Ministry for Pacific People |
| | Ministry of Health |
| | The Treasury |
| | New Zealand Police |
| | Ministry of Housing and Urban Development |
| **Relevant academics** | Julie Fry |
| | Peter Wilson |
| | Richard and Charlotte Bedford |
| **Insurance Providers** | Nib/OrbitProtect |
| | Southern Cross Health |
| | Chubb Medical Insurance |
| **Others** | Business New Zealand |
| | New Zealand Council of Trade Unions |
| | Iwi Leaders Forum |
| | Union Network of Migrants |
| | Amalgamated Workers Union |
| | Human Rights Commission |
| | Immigration New Zealand Focus Group |
| | Immigration Adviser Reference Group |

## Annex Three: Industry recommendation – Alignment Between Settings

**Alignment Between Settings: Recognised Seasonal Employer (RSE) Scheme**
**23 February 2026**

## Purpose of this document

This discussion document has been drafted for the Ministry for Business, Innovation and Employment (MBIE) to assist them in advancing policy work that industry would like to see concluded by April 2026.

An employer working group (20 RSE employers representing the horticulture and viticulture industries) meeting was held mid-October 2025 to assist MBIE in the prioritisation of the Recognised Seasonal Employer (RSE) policy review – given it has been ongoing since 2019. There were three priorities identified including this one, with the other two being transport deductions and accommodation settings). On 16 February a webinar was held with 70+ employers to talk through this proposal.

## Introduction

The RSE scheme is critical to New Zealand's horticulture and viticulture sectors, delivering a reliable, skilled, and scalable workforce. By providing access to seasonal labour, the scheme supports industry growth and competitiveness and strengthens partnerships with the Pacific.

Furthermore, the scheme is an important source of income for many Pacific Island people, their communities, and the wider Pacific region, strengthening social and economic ties across the Pacific.

Over time, however, inconsistencies and inefficiencies have emerged. As such, there is a need for aligned policy settings, which are crucial to ensure the RSE scheme remains robust, equitable, and adaptable to future needs. This document offers the context for reform, examines current challenges, and presents practical solutions aimed at promoting sustainable growth and the wellbeing of all stakeholders.

As the RSE scheme has been going for 18 years, there is an opportunity to align the scheme's settings to streamline administration and processing, reduce costs for all parties and provide certainty for employers, workers, the Pacific, and the New Zealand Government.

## Economic Importance of the RSE Scheme

The RSE scheme is a cornerstone supporting the Government's goal to double export value. The horticulture and viticulture sectors contribute over $8b[1] [2] in export revenue annually. The RSE scheme also fosters regional job creation, encourages grower investment and innovation, and upholds ethical employment practices. By underpinning the sector's economic sustainability, the scheme helps to preserve New Zealand's status as a leading export earner. The RSE scheme supports the development of an industry that is both attractive and responsible for pastoral care of workers.

[1] HortNZ_Annual-Report-2025-final.pdf
[2] New Zealand Winegrowers Releases 2025 Annual Report | New Zealand Wine

In the Aotearoa Horticulture Action Plan[3], Key Priority 5.2: *enable right person, right place: establish policy settings and legislation to meet labour needs*. sets out an action to "review the Recognised Seasonal Employer scheme with a long-term lens to address issues and provide certainty of settings for this vital programme". The desired outcome of this action is that "the RSE scheme is fit for purpose and beneficial for all involved". As one of the quad-partners of the Action Plan and the entity responsible for New Zealand's immigration system, this outcome cannot be achieved without the Government's involvement.

Labour, particularly the seasonal workforce, is as a key enabler of growth. As such, policy stability through the RSE scheme is critical. Reaffirming the scheme's relevancy and continuity aligns directly with the priority of enabling the right person in the right place, and safeguards growers' ability to invest, plan and manage risk in a sector where labour continuity underpins its domestic and export performance.

The below changes will help mitigate the risk of further decreases in employers and RSE worker numbers, as shown in Dr Richard and Dr Charlotte Bedford's paper 'How have in-country numbers of seasonal workers recruited for the RSE scheme and short-term PALM scheme been tracking since July 2023?[4]. These changes are vital to maintain workforce stability and support the sector's continued growth and resilience.

**The solution**

RSE employers recommend that the following policy changes will provide the biggest benefit to all RSE participants:

- Move to online applications
- Extending approved Recognised Seasonal Employer status to 6 years
- Extending Approval to Recruit (ATR) to 3 years
- Align visa settings to a 3-year multi-entry visa
- Accommodation audits every 3 years
- Allow increased movement of workers within NZ
- RSE sick leave aligned with entitlement for permanent New Zealanders when legislation is changed

Detailed below is an overview of the current challenges with each of these policy areas and suggested solutions.

**Overview of challenges and solutions**

The current settings and supporting processes are not aligned or integrated and do not provide certainty to employers, workers, or Pacific nations. This results in inefficiencies, and increased cost for all participants, including the Labour Inspectorate and the Immigration New Zealand (INZ) processing unit.

[3] Aotearoa Horticulture Action Plan | Horticulture New Zealand — Ahumāra Kai Aotearoa

[4] www.researchgate.net/publication/386144729

Currently, the settings are:

- Paper based applications for status renewal, ATR and visa
- RSE status – issued for 2 years initially, then 3-year expiry thereafter
- ATR – 7 or 9 month expiry
- Visa – matches the ATR
- Accommodation audit annually
- No movement of workers outside of region unless specified on ATR or visa
- RSE sick leave is different to entitlement for permanent New Zealanders

**Increased costs for all participants**

Employers are incurring significant losses through the cost of missed flights due to processing delays. This amounted to over $200,000 in less than 3 months in early 2025.

Employer resource and time to administer the cumbersome RSE approval processes also means that this is a sunk costs for growers where effort and funds would be better invested elsewhere. The current settings mean high demand on Visa Facilitation Services (VFS) and visa processing offshore there are still situations of workers being issued visas on the day of flights.

Likewise, workers lose time and money in arriving at airports only to have to miss their flights sometimes meaning they do not come to work in NZ at all. This causes reputational risks for employers as well as the NZ Government in terms of the integrity of the scheme.

**Online applications #1 priority**

Visa, status renewal and ATR applications are still paper based and manual which creates delays, mistakes and poor customer satisfaction with both employers and workers.

As the Immigration Minister has advised digitisation work will not begin until 2028. The above provides solutions enabling a 3 year visa from now until 2028 until digitisation comes in, thus a mitigation tool as a compromise for employers and workers. We need certainty on when online applications will be introduced.

Industry requests that online applications are locked now into MBIEs work programme and allocates funds and resources to ensure this occurs – as NZ moves further behind against the PALM scheme.
Industry is happy to offer RSE employers to do pilot with and welcomes the opportunity to assist.

**RSE status**

The problem with the current approach to RSE status is that it takes MBIE / the Labour Inspectorate (LI) a substantial period time (i.e. 5 – 12 months) to process renewals. The paperwork requirements have increased without clear explanation (i.e. employers are now required to prove they are solvent). The focus should instead be on real risk areas of compliance. Employers would not re-apply for accreditation if they were not financially sound or could not take on pastoral care requirements.

Employers must apply for renewal of status far in advance – i.e. MBIE / LI recommend 6+ months. This creates a large amount of extra paperwork and administration for employers, as well as the LI for no risk management uplift as well as significant stress – especially for small and medium employers (accountants must be involved as well) for in most instances are multiyear (i.e. 10+) stable employers. Alarmingly, in May 2025, almost a quarter of all RSE employers had expired status due to LI resource constraints.

If the current RSE settings are intended to manage risk, this is not the right approach. At any time if an employer has a serious non-compliance their status should be immediately revoked the employer removed from the scheme. The renewal process should not be used as a compliance management tool.

The opportunity is for a refined system to align status with two rounds of ATRs (i.e. two 3 year ATRs) to ensure business confidence and certainty to invest. Growers produce crops for many years and cannot operate on 3-year cycle of uncertainty – especially if they are to contribute to the government's goal of doubling export value.

This should only apply for employers who have continuously been in the scheme for 5+ years – to enable graduation to a 6-year renewal cycle i.e. this would not apply for new employers entering the scheme they would remain on a 2-year ATR.

**Approval To Recruit**

The problem with the current ATR expiry period is that employers must apply every season. The reason for this process is unclear i.e. what risk/s are MBIE trying to manage?

Employers that hold ATRs have been consistent for many years. We ask MBIE to prepare statistics / data on where ATRs and RSE status have been denied since 2015 and reasons. This would enable clarity of purpose for why current ATR settings exist, especially when more recent visa settings such as AEWV (where employers apply for accreditation status which is granted for 1 year then on a 2-year cycle) with Global workforce Seasonal Visa (GWSV) or peak Seasonal Via (PSV) aligned with AEWV framework.

Opportunity: The implementation of a 3-year ATR and visa would considerably reduce the workload for New Zealand and Pacific Government agencies, employers, and workers. We recommend that INZ alter their processes to enable a 3-year ATR aligned with 3 year multiple entry visa similar to the GSWV conditions. This will provide greater certainty for employers to invest in expanding their business and in purpose-built worker accommodation. It also recognises the skills and productivity of these workers.

Currently we estimate approximately 80% of employers are in the same cycle of status expiry which means a huge peak of applications all at the same time. If the above solution was implemented, this would enable them to cycle through in a more orderly fashion.

The current ATR application process and policy is difficult to practically implement due to timing delays, meaning employers are forced to start recruitment of workers in the Pacific before receiving an ATR approval which may be seen as unlawful practice. Consultations required, joint ventures, and inevitable delays practically means the recruitment process needs to start with workers in country while waiting for the ATR approval to come through. Otherwise, visa applications would not be submitted in time for deployment.

This provides further evidence that moving to a 3-year multi entry visa is in the best interest for all involved. It means employers and employees have extra time to organise the inbound/outbound arrangements without the added pressure of extra administration delays, particularly in seasons 2 and 3.

There could be a pool of numbers (i.e. unused cap) managed by MBIE. This would enable employers to apply for an extra allocation if a worker was to not return during their 3-year cycle. This would be an interim allocation and not added to the employer's allocation but return to the 'pool' once the visa expired.

**Multi-entry visa**

Workers that have been coming to New Zealand on an RSE visa for multiple years should be able to access multi-year approvals. These workers are usually the most skilled and experienced.

A 3-year visa would save each worker NZ$650 in visa fees, and create efficiencies for the end-to-end process, with less pressure on VFS, no flights missed, and so on. For the worker, this would mean they could save on paying for an annual medical and police clearance (amounting to $1,200+) and negating the need to source a loan. A tangible benefit for workers. However, despite a 3 year visa, there would remain the up to 7 or 9 month maximum amount of time in NZ in any 11 month period.

A 3-year visa would bring in line with other visa categories i.e. AEWV visa is up to 5 years, whilst GWSV is 3 years.

The current RSE visa allows multi-entry and if the worker has to return home permanently then this is managed with a formal notification process.

In a February 2025 article the Minister for the Public Service Judith Collins[5] was quoted as saying the more complex challenges become - the simpler we need to keep it. The above alignment regarding multi entry visas would mean INZ processing resources are directed correctly and delivering services for the benefits of all RSE stakeholders.

**Accommodation audits**

Carried out every 3 years in line with ATRs instead of annually. We understand this was an interim solution whilst the policy review was completed, however this has now been ongoing since 2019. Freeing up LI resource would allow targeted audits and physical regional visits to occur across the country, which is a meaningful application of resource and industry supports this approach. The frequency of audit should be aligned with the standard of accommodation and the improvement plan in place. If there is an

[5] Judith Collins warns public service chiefs to show respect to taxpayers - NZ Herald

accommodation that requires improvement, then the audit should be more frequent (good due diligence).

**Movement of workers**
RSE unit should use discretionary power to allow movement of workers within NZ, i.e. for unforeseen circumstances.

Due to the seasonal peak nature of growing, RSE employers need nationwide movement of workers with the same employer into approved accommodation to meet workforce needs. Currently employers must go through the whole ATR process, and each worker requires a new visa. A streamlined efficient process should allow RSE workers on a 3-year visa to not require a labour market test (like the GSWV and SSE visas) so they can move regions.

Instead, employers could apply for pre-approval to allow movement of workers for short periods (up to 8 weeks). It is difficult to get New Zealanders to fill labour gaps under these circumstances.

**Resourcing constraints and the need for process improvements**
The current RSE process is very resource intensive and is contributing to the LI being unable to adequately resource the above areas. MBIE has advised that INZ is not currently resourced enough to cope with the current processes.

By improving and streamlining processes, it would enable LI resources to be freed up to focus on compliance activities, as well freeing up resource for all those involved across the entire RSE scheme i.e. Labour Mobility Units, employers, workers etc.

New Zealand is falling behind due to our slow processes, when compared with Australia. The Labour Sending Unit is processing Pacific Australia Labour Mobility (PALM) applications in 2 weeks (decreased from 8 weeks). New Zealand increased from 8 to 10 weeks. New Zealand growers cannot remain competitive with the PALM scheme. We need the ability to compete on a more level playing field. PALM is far more efficient as it is online. As a paper-based scheme, New Zealand cannot compete. There are constant issues with the paper based scheme having bottle necks, lost documents, with many workers unable to travel due to these systemic failings.

If the above cannot be implemented, RSE employers request the Government suitably resource LI to meet realistic and practical deadlines (10 working days).

Savings from these solutions could be invested into supporting LSUs and pre departure training.

**Alignment of RSE sick leave with permanent New Zealanders**

Industry seeks that sick leave settings are aligned with introduction of the new legislation when enacted.

**Proposed Changes**

- Hours-Based Accrual: sick leave will accrue in hours from day one of employment, rather than being provided as lump sums in weeks or days after 6–12 months.
- Sick Leave: Accrues at 0.0385 hours per contracted hour, capped at 160 hours. For RSE at 30 weeks x 40 hours =1,200 hours x 0.0385 = 46.2 hours

The RSE sick leave policy was introduced at a time when wider Holidays Act changes were being considered, and there was an expectation that those settings would apply to all workers in NZ. Those changes did not ultimately proceed, and the newer amendments have taken a different direction.

Sick leave entitlement is reset when a worker starts with a new employer.

If permanent New Zealanders are getting a change, for consistency RSE should be following the same criteria.

Industry proposes that RSE worker sick leave entitlements are to remain as currently instructed until the new Holidays Act / Employment Leave Bill have been agreed upon and formalised, at which point the RSE worker sick leave entitlements are amended to mirror the same entitlements as all other NZ employees.

**Conclusion**

Overall the RSE scheme has brought positive economic impacts to workers, households and communities in the Pacific and New Zealand for 18 years.

For the sake of all stakeholders involved, employers need the RSE scheme to be more resilient and sustainable. Employers want the scheme to endure and for this we urgently need the Government's support.

The scheme faces mounting operational, administrative, and resourcing challenges that threaten its capacity to meet the evolving needs of industry and workers. These challenges—ranging from cumbersome paper-based processes, extended visa approval and renewal timeframes, and inflexible administrative requirements, to issues of worker mobility and accommodation oversight—demand urgent and coordinated reform.

Importantly, these changes will reinforce fair employment practices and ensure the wellbeing of all RSE participants—workers, employers, and Pacific partners.

The recommendations in this paper are designed to secure the RSE scheme's role in supporting New Zealand's ambition to double export value, while maintaining the confidence of all stakeholders. Timely action by the Government, industry, and Pacific partners is essential. By embracing aligned policy settings and investing in digital transformation, New Zealand can uphold its reputation as a responsible, competitive, and innovative leader in seasonal labour mobility, delivering shared prosperity and resilience for many years to come. The RSE scheme underpins the sector's ability to recruit and maintain permanent kiwi jobs - without a well functioning RSE scheme, jobs for kiwis will not exist in those businesses that employ RSE workers.

**Next steps**

Industry collaborate with Pacific partners, MPI, MFAT and MSD on aligned settings and supporting digitisation.

## Annex Four: Industry Recommendation – RSE Transport Cost Recovery Methodology

**RSE transport cost recovery methodology -**
**Industry proposal 27/02/2026**

## 1. Why change is needed

The RSE scheme was designed to create a "triple win" for employers (by providing reliable labour to enable the horticulture and viticulture industry to grow); workers (by providing enhanced income and employment opportunities); and sending country nations (by supporting economic development through remittances and skills transfer).

However, as identified in previous policy work by government (and by industry), many aspects of the scheme have failed to keep up with its growth. This structural failure has been compounded by emergent challenges for employers including extreme weather events, rapidly expanding costs, critical processing delays and a lack of decision making in MBIE with the ongoing RSE policy review since 2019 making the future for all parties involved in RSE uncertain.

That the scheme is no longer fit for purpose, is illustrated by the number of employers that have exited the scheme in recent years (from 200+ a few years ago to closer to 170 active employers now) as well as a reduction in the numbers recruited from the Pacific (17,000+ a few years ago to now ~15,000). This trend does not just threaten the ability of the horticulture and viticulture industries to sustain growth, it affects the ability of the Government to achieve its double export targets and capitalise on emerging markets (e.g. India FTA), the ability of workers to realise increased earnings and quality of life in their home countries, and the value of the RSE scheme to Pacific Governments as a driver of economic development.

This trend will continue if action is not taken. In the medium to long term, this will affect the ability of the RSE scheme to realise its 'triple win' objective and the schemes resilience. This is demonstrated in Dr Richard and Dr Charlotte Bedford's paper 'How have in-country numbers of seasonal workers recruited for the RSE scheme and short-term PALM scheme been tracking since July 2023?[1]. Certainty around RSE settings is vital to maintain workforce stability and support the sector's continued growth and resilience as well as employer investment (i.e. in accommodation and new vehicle fleet).

## 2. Economic Importance of the RSE Scheme

The RSE scheme is a cornerstone supporting the Government's goal to double export value. The horticulture and viticulture sectors contribute over $8b[2] [3] in export revenue annually. The RSE scheme also fosters regional job creation, encourages grower investment and innovation, and upholds ethical employment practices. By underpinning the sector's economic sustainability, the scheme helps to preserve New Zealand's status as a leading export earner. The RSE scheme supports the development of an industry that is both attractive and responsible for pastoral care of workers.

In the Aotearoa Horticulture Action Plan[4], Key Priority 5.2: *enable right person, right place: establish policy settings and legislation to meet labour needs*. sets out an action to "review the Recognised Seasonal Employer scheme with a long-term lens to address issues and provide certainty of settings for this vital programme". The outcome of this action is that "the RSE scheme is fit for

[1] www.researchgate.net/publication/386144729
[2] HortNZ_Annual-Report-2025-final.pdf
[3] New Zealand Winegrowers Releases 2025 Annual Report | New Zealand Wine
[4] Aotearoa Horticulture Action Plan | Horticulture New Zealand — Ahumāra Kai Aotearoa

purpose and beneficial for all involved". As one of the quad-partners of the Action Plan and the entity responsible for New Zealand's immigration system, this outcome cannot be achieved without the Government's involvement.

Labour, particularly the seasonal workforce, is as a key enabler of growth. As such, policy stability through the RSE scheme is critical. Reaffirming the scheme's relevancy and continuity aligns directly with the priority of enabling the right person in the right place, and safeguards growers' ability to invest, plan and manage risk in a sector where labour continuity underpins its domestic and export performance.

### 3. Purpose of this document

This document has been drafted for the Employment, Skills and Immigration Policy (ESIP) team conducting the ongoing RSE policy work, to outline the perspectives of RSE scheme employers and to advise on policy work that industry would like to see concluded by April 2026.

Twenty RSE employers met in mid-October 2025. The purpose of this meeting was to confirm the top priorities for RSE employers – given the RSE policy review has been ongoing since 2019. Three key priorities were identified:

1. A suitable transport cost recovery methodology
2. Ensuring RSE policy alignment and consistency
3. Implementing workable accommodation settings

On 16 February a webinar was held with 70+ employers to consult and get support for this proposal.

### 4. Overview of the proposal document

1. Current policy state and emergent issues
2. Proposal rationale
3. Background on proposal design
4. How the proposal works in practice

*The need for safe and efficient vehicle fleets in the RSE scheme*

Recently, tragic instances of serious road accidents involving RSE workers, have served to underscore the importance of safe, reliable transportation in the RSE scheme[5]. Employers are seeking policy settings that incentivise investment, maintenance and upgrades in their vehicle fleet. We want every worker to return home safe at the end of each day. However, current policy settings provide a disincentive to employers seeking to purchase or lease higher specification (i.e. higher ANCAP[6] rated) vehicles.

### 5. The current policy state is ad-hoc

Current interpretations of RSE policy and relevant guidance require employers to <u>provide transport to and from the job site from accommodation at no cost to the worker</u> (this trip is considered *business use* by the Labour Inspectorate), but employers are permitted to charge workers for *personal use* of vehicles (e.g. shopping, attend church etc). No requirements are placed on employers with respect to the safety of vehicles, outside of a general compliance with New Zealand law (i.e. WOF and registration).

[5] www.rnz.co.nz/news/national/582343/truck-driver-jailed-for-blenheim-crash-which-killed-rse-worker
[6] Safety ratings - Rightcar NZ

For the first 13 years of RSE, the costs of providing transport could be recovered from the worker. It has been a recent interpretation that employers must cover all the capital costs, supply all the fuel, and only recover fuel used for personal use. This interpretation came in 2019 where the employer financing transport was interpreted to mean paying for it rather than the true definition.

The rule requiring transport to be paid by employers between accommodation and worksite is not outlined in the Immigration Operational Manual. The only mention of transport arrangements from accommodation to job site in the Operational Manual is an obligation to "*provide full details on how they plan to address … transportation to and from the job site",* within their ATR application, as specified at WH1.10.1(g).[7]

Instead, this requirement has been placed on employers by MBIE through guidance documentation, and by what the Labour Inspectorate considers 'reasonable' deductions. This ad hoc policy development has resulted in inconsistencies in the way that that each inspector (and by extension, different regions) approve calculations related to the running costs of vehicles for personal use. For many RSE employers, cost recovery of transport has been frozen for many years.

Additionally, communications from MBIE's Labour Inspectorate have made clear that employers cannot recover any costs associated with capital outlay, maintenance and compliance as part of 'fair and reasonable' costs for transport:

*"Reasonable costs can be charged to cover the provision of transport allowing workers to attend to their personal needs as well as recreational activities during time off. The Inspectorates' view is that this deduction needs to be fair.*

*It is over to the employer to make their case. You may verify actual costs using data from e.g. GPS trackers, logbooks. It is not considered reasonable that major expenses such as cost of capital, depreciation, servicing and compliance for the vehicle's primary purpose of transporting workers to and from the workplace is passed on to workers. "*

It is unclear why from a policy perspective, the maintenance and servicing of a vehicle from which RSE workers derive a clear benefit, including in a personal capacity, is considered an unreasonable deduction. The shift to allowing cost recovery only for personal use represents a significant and recent change and its rationale has not been clearly articulated. Critically, this approach does not incentivise the purchase of new, safer vehicles by employers because they receive no benefit in doing so. Instead, employers are structurally incentivised by current settings to keep older, less safe fleets on the road and to do the minimum required maintenance to keep vehicles running.

*The requirement to provide free transportation has never been fully assessed by policy*

The requirement to provide free transport between accommodation and job site, has to our knowledge, never been subjected to any policy process that assesses the equity of this requirement in line with the New Zealanders first principal of the scheme, nor its effect on potential adverse outcomes with respect to the safety and suitability of the vehicles fleets of RSE employers or FBT implications.

At a high level, mandating employers to provide a service to RSE workers that is not provided to New Zealand workers is a clear inequity and contravention of the New Zealanders first principle that underpins the RSE scheme. This requirement places New Zealanders at financial disadvantage with respect to their RSE counterparts, a policy position that has never been appropriately justified,

[7] https://www.immigration.govt.nz/opsmanual/#34415.htm

outside of general guidance provided at an operational level by teams within INZ and the Labour Inspectorate.

We are unaware of any evidence that meaningful policy advice, or direct Ministerial decisions have been taken on such a policy setting. If such information does exist, we would urge its sharing and reconsideration given the challenges that employers are now facing within and outside the RSE scheme. As it stands, employers are not provided with the transparency and certainty necessary to make decisions about a viable level of reinvestment if they were to upgrade their vehicle fleet.

*Further, the policy is inconsistent with tax settings and imposes additional tax burden on employers*

Current RSE policy contradicts general New Zealand employment law and tax settings. The Inland Revenue Department (IRD) clearly assesses that the use of a vehicle while traveling from home to work is a *personal use,* rather than a *business use* as asserted by the Labour Inspectorate.[8]

Where individuals have the personal use of a work vehicle for no cost, this is considered a Fringe Benefit by IRD, exposing employers to Fringe Benefit Tax obligations they would not ordinarily be exposed to if workers were required to procure their own transport between accommodation and job site. Fringe Benefit Tax exposure is only reduced or removed by workers contributing in part, or in full, to the cost of running the vehicle during its personal use.

**6. Principals taken into account**

- What is consistent with NZ law, not creating bespoke rules for RSE transport outside of NZ tax law i.e. neutral FBT. Inconsistent and bespoke RSE rules caused issues within the recent court case and operational issues between Government departments.
- Commercial relationship - costs need to be recovered (not profited from transport).
- Like for like for other visa settings and kiwis employed traveling to and from work.
- Workers choose to sign an IEA and work for the employer – transport cost recovery should be upfront and transparent.
- The triple win outcome of RSE has been interpreted as requiring policy settings that advantage RSE workers over and above New Zealanders. The original meaning of “triple win” was that a well-functioning RSE scheme provided benefits for all participants and not advantaging one participant at the expense of another.

| | **Vehicle Use** | **Agency Assessment** | **Worker covers costs** | **IRD Fringe Benefit?** |
|---|---|---|---|---|
| **IRD tax policy** | Accommodation to Job site | Personal | No | Yes |
| | After Work Use | Personal | | |
| | Accommodation to Job site | Personal | Yes | No |
| | After Work Use | Personal | | |
| **MBIE RSE policy** | Accommodation to job site | **Business** | **Not permitted** | **Yes** |
| | After Work Use | Personal | No | Yes |
| | After Work Use | Personal | Yes | No |

[8] Vehicle expenses

## 7. Industry rationale and model criteria

As above, there are a range of issues with the current requirement to provide free transport from RSE accommodation to the job site. In addition to the inequitable treatment between New Zealand and RSE workers, the policy has numerous technical issues that create both perverse incentives away from continuous investment in safe vehicles, and potential exposure to tax liability that other New Zealand employers would have a choice in accepting (i.e. if they chose to cost recover from workers), but that RSE employers are forced to accept under RSE policy. We do not consider that RSE policy was intended to expose RSE employers to Fringe Benefit Tax obligations, especially given the operational nature of this requirements imposition.

Instead, a well-structured transport cost recovery model, that allows employers to recover legitimate costs of transport provided to RSE workers would solve multiple issues at once, by:

- Allowing cost recovery for what is (under standard employment and tax law) the *personal* use of work vehicles to get to work,
- Removing the clear inequity between New Zealand and RSE workers that this policy imposes,
- Incentivising investment from employers in newer, safer vehicles through clear and transparent processes, and
- Removing the apparent Fringe Benefit Tax burden that has been created by the contradictory settings between MBIE and IRD.

Industry wants a clear, concise and easy to calculate model that is enduring over time. We consider it is critical that the model considers the following criteria:

1. The depreciation on actual capital value (the value forgone by the business) of the vehicle (so that newer, safer models are incentivised to be purchased)
2. Kilometres travelled (to account for the fuel, wear and tear on a vehicle and its general service requirements)
3. Consistency with other areas of New Zealand employment and tax law, to ensure equity with New Zealand workers

## 8. Model Design

To achieve this, we propose a model based on standard IRD business vehicle running cost calculations, with a modifier that accounts for the capital value and depreciation of the vehicle over time. This model can be used for any type of vehicle arrangement – owned, leased or hired vehicles.

IRD guidance specifies two different rates for vehicle expenses that can be claimed by businesses relating to the use of vehicles. Tier 1 rates can be used for the first 14,000 kilometres travelled, and account for fixed costs and running costs. Tier 2 rates can be used for distance travelled over 14,000 kilometres and accounts for running costs only:[9]

[9] Kilometre rates 2024-2025

## The table of rates for the 2024-2025 income year

The Tier 1 rate is a combination of your vehicle's fixed and running costs. Use it for the business portion of the first 14,000 kilometres travelled by the vehicle in a year. This includes private use travel.

The Tier 2 rate is for running costs only. Use it for the business portion of any travel over 14,000 kilometres in a year.

| Vehicle type | Tier 1 rate per km | Tier 2 rate per km |
|---|---|---|
| Petrol | $1.17 cents | 37 cents |
| Diesel | $1.26 cents | 35 cents |

However, using these rates alone does not sufficiently account for the quality and safety of the vehicle. Therefore, to incentivise newer vehicles, the rates need to be modified based on a vehicles capital value. We consider the Fringe Benefit Tax regime provides a robust framework for this, given that RSE workers generally have vehicles available for their personal use at any time.[10]

**Running the model**

**Step 1** – Calculate the Tier 1/2 rates in line with the value of the vehicle (either for an individual vehicle, or across the average value of vehicles in the fleet).

**Step 2** – Averaging Distance travelled across the entire fleet (unnecessary for a single vehicle).

**Step 3** – Applying Tier 1 and Tier 2 rates to distance travelled.

**Step 4** – Dividing amongst workers into a per week repayment.

[10] The FBT regime is a robust basis in this scenario because FBT regime calculates the taxable benefit that the personal use of a vehicle conveys, based on its annual valuation. IRD is clear that the FBT regime applies during any day the vehicle is made available for private use, not whether it was actually used: https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use

*1) Calculating Tier 1 and Tier 2 rates by value of the vehicle*

To calculate the appropriate rates, an employer starts with the book value of the vehicle, or the average book value across all vehicles in the fleet. A straight-line depreciation[11] calculation

of 21% for the year is made, which provides an annual depreciation value that can be averaged across the first 14,000 kilometres, reflecting fixed costs. This is combined with running costs for the first 14,000 kilometres to provide an overall Tier 1 rate. Tier 2 rates simply use the running costs, as demonstrated by the examples below:

***Example of Rates at different book value level***

| Book Value excl GST | Straight Line depreciation | Annual depreciation value | km rate for 1st 14,000 | Per km Running Costs | Tier 1 Rate | Tier 2 Rate |
|---|---|---|---|---|---|---|
| $60,000 | 21% | $12,600 | $0.90 | $0.36 | $1.26 | $ 0.36 |
| $50,000 | 21% | $10,500 | $0.75 | $0.36 | $1.11 | $ 0.36 |
| $40,000 | 21% | $8,400 | $0.60 | $0.36 | $0.96 | $ 0.36 |
| $30,000 | 21% | $6,300 | $0.45 | $0.36 | $0.81 | $ 0.36 |
| $20,000 | 21% | $4,200 | $0.30 | $0.36 | $0.66 | $ 0.36 |
| $10,000 | 21% | $2,100 | $0.15 | $0.36 | $0.51 | $ 0.36 |
| $5,000 | 21% | $1,050 | $0.08 | $0.36 | $0.44 | $ 0.36 |

*2) Averaging distance travelled across the entire fleet*

Total kilometres travelled across the entire fleet are then divided by the number of vehicles in the fleet to calculate the average kms / vehicle.

E.g. 100,000 kilometres / 6 vehicles = 16,000 kilometres per vehicle

*3) Applying Tier 1 and Tier 2 rates to distance travelled*

Tier 1 and Tier 2 rates are then apportioned to the average kilometres per vehicle and multiplied by the number of vehicles in the fleet to get fleetwide combined costs.

E.g. 14,000km @ $0.66 (as per the above for a fleet with average book value of $20,000) = $9,240
+
2,000km @ $0.36 = $720
= $9,960 combined costs per vehicle

*4) Dividing amongst workers into a per week repayment*

The combined cost is then divided amongst the average number of workers per vehicle during the given period.

E.g. $9,960 across 10 workers, divided by a 28-week employment period = $35.57 week + GST = $40.91 per week as a cost recovery from the worker.

NB: GST is not recoverable on these costs, as they are not classified as business expenses for GST purposes.

[11] Work out straight-line depreciation

| Calculator | Fill orange boxes in this column | | |
|---|---|---|---|
| Average Vehicle Book Value | $ 20,000 | | |
| Straight line Depreciation | 21% | | |
| Annual Depreciation value per Vehicle | $ 4,200 | | |
| Rate per km for first 14,000 | | $ 0.30 | |
| Rate per km for every km | Mix Petrol/Diesel | $ 0.36 | |
| Average Total Kms travelled per year | 16,000 | | |
| Costs to recover | | $ 9,960 | |
| Reduction % of Travel During Worked Hours | 0% | $ 9,960 | Costs to recover excluding working hours use |
| Average Number of Staff per van | 10.00 | | |
| Average Number of Weeks of employment | 28 | | 571 Avg kms/week |
| | | | |
| Charge per person per week | | $ 35.57 | |
| Charge per person per week incl GST | | $ 40.91 | |

Industry recommends this model be adopted for all employers from April 2026. Where an employer has genuinely unique circumstances, flexibility should be available for them to propose and alternative calculation, provided it can be fully justified within NZ tax law. No grandfathering is proposed; exceptions should only be granted where an employer can present a validated and defensible case.

## 9. Conclusion

The transport cost recovery model outlined in this document provides a fair, transparent and legally consistent framework that supports safer vehicle fleets, aligns with IRD tax settings, and removes the inequities created by current RSE transport rules. It ensures workers contribute only to the transport they use, while giving employers the certainty needed to reinvest in safe, compliant and efficient operations.

Industry request that MBIE implement this model from April 2026, providing a enduring and nationally consistent approach that strengthens the integrity, safety and long-term sustainability of the RSE Scheme.

**Appendix 1 - An example of how to use averaging of vehicles**
Use 'averages' of your fleet in calculations – for example:

- Business A has 5 vehicles worth: $10k, $15k, $16k, $19k, and $20k = an average book value of $16k
- Business A's 5 vehicles km's driven per annum: 9k, 9.5k, 10.5k, 12k, 15k = an average of 11.2k per annum
- Business A's seats are: 8, 8, 10, 10, 10 = an average of 9.2 seats
- Number of weeks in use: 16, 16, 18, 28, 28 = average of 21.2 weeks

Therefore, for Business A to charge all workers in they would put the yellow numbers into the calculator – which comes out as $39.62 (inc GST) / person / week.

It is recognised RSE workers do not choose where they live, however the NZ tax law does not account for such anomalies within the RSE scheme.

Independent accommodation valuations already incorporate rental values that are adjusted based on location. For example, rural properties typically have a lower base valuation compared to urban properties. Because these differences are already captured within a valuation process, it is essential that any Transport Model refrains from factoring in value or weighting where accommodation valuations have already accounted for these location-based variations.

There is variability (as with accommodation) across different employers in their fleet – this model accounts for this with an average of kms and book value of vehicles. Given the nature of the RSE scheme, it is impractical to assign every worker a vehicle throughout the season as this would be administratively unworkable.

Older fleets cost more to operate; this model intentionally allows a lower claim for those older vehicles. In doing so, this model incentivises the desired outcome - upgrading fleets to newer vehicles with higher safety specifications.

Industry proposes the model is used by employers to assess costs annually with the IRD rate, kms and values – take average / x years. Realistically the amounts are immaterial that this would change. Ie 1 or 2 c fluctuations over last 2 years[12]. Also creates stability for workers to budget.
Costs of running vehicles include fuel / repairs / maintenance / road user charges / insurance.
Per km rate – tied to IRD as transparent - FBT implications as seen in recent court case.

**Appendix 2 – FBT Information**

**FBT on a Company Vehicle for 7-Day Personal Use (NZ)**

In New Zealand, if an employer provides a work vehicle that an employee can use for personal purposes 7 days a week, it is treated as a *fringe benefit*. The employer must comply with Inland Revenue (IRD) fringe benefit tax (FBT) rules. In essence:

- **FBT Trigger:** A vehicle available for an employee's **private use** (even if not actually used) on any day triggers an FBT liability for that day[1] [2]. In a 7-day personal use scenario, the vehicle is available *every day*, so FBT applies to all days of the year (except any documented exempt days, discussed later).

[12] Kilometre rates for the 2020-2021 income year
Kilometre rates for the 2021-2022 income year

- **Taxable Value (Benefit):** IRD prescribes methods to calculate the taxable value of the vehicle benefit. The most common is the **cost price method**: **20% of the vehicle's GST-inclusive cost price per annum**[3]. This annual taxable value represents the benefit of having the car year-round for private use. For example, a $50,000 (incl. GST) car has a taxable value of **$10,000 per year** (0.20 × $50k). That equates to roughly **$27.40 per day** or **$192 per week** of taxable benefit. (The alternate **tax book value method** uses 36% of depreciated value per annum, which can benefit older vehicles[4], but the cost method is usually used for simplicity.)
- **FBT Payable:** The employer must **pay tax on this fringe benefit value** at the FBT rates. Many employers use the single **flat rate of 63.93%** on the taxable benefit (this rate is set to effectively tax the benefit at the top marginal income tax burden). Using the $50k car example: $10,000 benefit × 63.93% ≈ **$6,393 FBT per year**. (Employers can also use alternate rate calculations at 49.25% if attributing benefits to individual employees with known incomes, but 63.93% is the default for non-attributed benefits.) FBT is typically remitted quarterly or annually via FBT returns.
- **No Exemption in Full Personal Use:** Because the vehicle is being used personally 7 days a week, it **does **not qualify for the "work-related vehicle" FBT exemption**. That exemption requires the vehicle be used only for work and minimal private use (essentially just home-to-work travel with strict limits)[5] [6]. Here, by allowing unrestricted personal use, the exemption is off the table – **every day is considered a private-use day for FBT**[7].
- **Employee Contributions Offset FBT:** If the employee **pays for any part of the vehicle's private use** (a **"contribution"**), that amount is deducted from the taxable benefit value[8]. In other words, employee contributions reduce the fringe benefit on which tax is calculated. For instance, if our employee with the $50k car pays the employer $100 per week for the car's availability, that's $5,200 per year contribution. The taxable benefit ($10,000) would be reduced by $5,200 to $4,800, and FBT would only apply to the $4,800 remainder[9]. Sufficient contributions can even reduce the taxable benefit to zero (e.g. an employee paying the full value of having the car, about $192/week in the example, would eliminate the employer's FBT liability)[10]. Employers often factor this in either by adjusting the employee's salary package or by direct billing for personal use.

The following sections detail how to calculate these values, the impact of fuel and business use, available exemptions/offsets, and recordkeeping requirements.
**Calculating Taxable Value of the Vehicle Benefit**

When an employee has unrestricted personal use of a company vehicle, the employer must compute the **taxable value** of that fringe benefit for each FBT period. Key methods and factors:
**Cost Price Method (20% of Cost):** This is the default and simplest method. Take the **original cost of the vehicle including GST**, and multiply by **5% per quarter** (which is 20% per year)[11]. This resulting figure is the taxable value of making that vehicle available for the entire period. It does **not matter how many kilometers are driven**, or how much the car depreciates in reality – it's a flat percentage of the purchase price (including on-road costs). The cost includes things like initial registration and accessories fitted, but excludes financing costs or annual licensing.

- *Example:* Car cost $69,000 (this is $60,000 + GST, so presumably a $60k car before GST). Using cost method: 20% of $69,000 = **$13,800 per year**. If the car was available all year, $13,800 is the annual benefit. That's roughly **$37.80 per day** or **$264.60 per week** in terms of benefit value. If available for only part of the year, you pro-rate by days available.

**Tax Book Value Method (36% of Depreciated Value):** As an alternative, if the car is not new, the employer may elect the **tax book value (depreciation basis) method**. The fringe benefit is 9% of the vehicle's **tax book value** per quarter (36% per annum)[12]. The tax book value is essentially the depreciated value for tax purposes at the start of the FBT year (not falling below $8,333 including GST minimum)[13]. This method yields a lower taxable value for older, heavily depreciated cars. However, once chosen, you must stick with it for 5 years for that vehicle. For a brand new car, tax book value = cost, and 36% of cost is higher than 20% of cost, so it's only worthwhile after enough depreciation.

- *Example:* A 5-year-old car that originally cost $50,000 might have a tax book value of say $20,000. Using the tax value method: 36% of $20,000 = **$7,200 per year** benefit, which is substantially less than $10,000 (20% of original cost) would be. Hence this method saves FBT if the car lost value.

Most employers of standard company cars use the **cost price method** initially because it's straightforward. If the vehicle is kept for many years, they may switch to tax value method after 5 years to reduce the FBT burden (since the depreciated book value drops).

**Days Available for Private Use:** The above annual calculations assume the vehicle is available the entire year. If that's not the case, you adjust for the number of days in each quarter that the vehicle was **available for private use**[14]. In our scenario, "personal use 7 days a week" implies it's available **every day**, so presumably 365 days a year. But if there were any days the vehicle was **unavailable** for private use, those can be excluded. Common reasons to exclude days:

- The employee was **away and did not have the car available** (e.g. on a business trip, left the car at the office, or overseas on holiday leaving the car at work). IRD allows that if an employee is **away from home for more than 24 hours and the vehicle is needed for work or not at their home**, those days can be exempt from FBT[15].
- The vehicle was **under repair or broken down** for a full day or more[16] (not available to use).
- The employer **restricts private use on certain days** – e.g., some arrangements specify the vehicle can only be taken home on weekdays but **not on weekends**. If documented properly (a letter stating "no private use on Saturdays/Sundays")[17] and the vehicle is indeed left at work on those days, then those weekend days wouldn't count toward FBT.

In our case of 7-day personal use, none of those exclusions likely apply regularly (by definition, it's used on weekends too). So you'd ordinarily count 7 days a week as private-use days for FBT. If there's a vacation where the employee leaves the car at work for a week, the employer can treat those 7 days as exempt (with evidence). **Recordkeeping** is critical here: you must note and be able to prove any days you exclude from FBT (e.g., travel itinerary, garage repair invoice)[18] [19].

**Fuel Provided:** If the employer also covers **fuel** for the vehicle's private travel, how is that accounted for? IRD's rules for motor vehicles assume that the standard 20% (or 36%) formula already factors in normal running costs, including fuel. In practice, **fuel provided for a company car's private use is not separately taxed under FBT – it's effectively included in the vehicle benefit value**[20]. Deloitte confirms: "Fuel cards associated with employer-provided vehicles are not separately subject to FBT – the taxable value calculation includes all costs of running the vehicle, including fuel."[21] So you do **not** add the $200/week of fuel on top of the car's 20% value; it's encompassed. (However, if fuel is provided for an employee's **own private car**, that's a different scenario – here we're only discussing a company-owned vehicle.) In summary, under the cost method, whether the employee uses $50 or $200 of fuel weekly, the fringe benefit is still a flat percentage of the car's value. The employer just bears the fuel cost as an expense, but for FBT purposes it doesn't change the calculation.

**Summary of Calculations:** Below is a table giving example fringe benefit valuations for different vehicle costs under full-year, 7-day availability (using the cost method, which is the likely method for newer vehicles):

| GST-Inclusive Vehicle Cost | Annual Taxable Benefit (20%) | Approx. Weekly Benefit | Approx. Daily Benefit | Annual FBT Payable (63.93%) |
|---|---|---|---|---|
| **$30,000** | $6,000 | $115 per week | $16.44 per day | ~$3,836 in FBT |
| **$50,000** | $10,000 | $192 per week | $27.40 per day | ~$6,393 in FBT |
| **$80,000** | $16,000 | $308 per week | $43.84 per day | ~$10,229 in FBT |
| **$100,000** | $20,000 | $385 per week | $54.79 per day | ~$12,786 in FBT |

*Illustrative calculations: 20% of cost = annual benefit; FBT = 63.93% of benefit. In practice, FBT can be calculated per quarter (5% of cost per quarter taxed at quarterly rate). Figures assume vehicle available all days; if only part of year or some exempt days, pro-rate accordingly. For tax book value method, replace cost with depreciated value.*

Looking at the $30k vs $100k car scenarios: the higher the car's value, the higher the fringe benefit value and the higher the FBT. **Graphically, FBT liability scales linearly with vehicle cost**, since it's a fixed percentage:

![22] *Figure: Annual fringe benefit taxable value vs. FBT payable for different vehicle costs (assuming 7-day private use, cost method).*

As you can see, a more expensive vehicle can incur a significant FBT cost to the employer. This is why some employers factor it into remuneration decisions or set policies (for example, limiting the value of company cars for employees or requiring contributions).

**Personal vs Business Use – Impact on FBT**

A point of confusion can be how **business use** of the vehicle interacts with FBT. The key thing to remember is: **FBT is about *availability for private use*, not mileage splits.** Whether the employee drives 90% for work tasks and only 10% personally, if the car is available to them for that 10% personal time (typically evenings or weekends), FBT still applies for those days. There is **no reduction in fringe benefit value based on how much business use the vehicle has**, unlike some overseas tax systems. IRD doesn't require tracking of personal vs business kilometers for FBT purposes on company vehicles (that's more relevant for employees' own cars reimbursed per km, which is a different regime).

However, business use can affect **whether certain days count as private use days**:

- If on a weekday the employee drives the car for work tasks but also goes home in it, that day is a private use day (the home-to-work travel is private unless the vehicle is exempted as a work-related vehicle)[23] [24]. The fact they did work errands doesn't exclude FBT for that day. It's still available to them privately (to get home, etc.).
- If the employee is away on a business trip **and takes the vehicle with them**, interestingly that day might be exempt from FBT under the **"business travel exemption"**[25]. This exemption applies if an employee needs the vehicle to perform their work while staying away from home overnight for work. For example, a regional manager who drives to another city and stays there for 3 days with the company car – those days can be treated as non-private, because the travel was work-related and the car wasn't near their home for personal convenience. The fringe benefit day count can exclude those trip days (properly documented). Conversely, if the employee leaves the vehicle at home or at the airport and flies out for business, those days the car is just sitting at home still count as available unless you've removed the keys/access.
- If the vehicle is **only available for business use and not personal at all**, then you avoid FBT entirely via the **work-related vehicle exemption**[26] [27]. But that requires strict conditions (prominent company branding, 3,500kg weight max, mainly goods vehicle, and a written instruction that private use is forbidden except minimal home-work travel)[28]. In our scenario, that's the opposite of "personal use 7 days" – but it's worth noting: many

companies choose to restrict vehicles this way to eliminate FBT. If you *can* move to a policy where personal use is curtailed, you'd save the entire FBT cost. For example, some employers let staff use company cars during the week for work and commuting, but **prohibit weekend use** – effectively they pay FBT only on weekdays, or if structured as a work-related vehicle (no private use except commuting), they pay **no FBT on those weekdays either**[29]. But as soon as an employee takes the car for a Saturday picnic, that day becomes subject to FBT[30].

So, if a vehicle serves **dual business and personal roles**, the employer typically just accepts the FBT on it, possibly proportionate to each day of private availability. There is no sliding scale formula for "mostly business use" – it's binary by day. The best they can do is ensure any day it truly isn't available privately is captured as an exempt day. Some employers use the **"switch-off" approach**: require that if an employee isn't going to use the car over a break (say, holiday), they leave it at work, thus officially making it unavailable and saving FBT for those days. Others simply cop the cost as part of offering a perk.

**Note on recordkeeping for mixed-use:** If you intend to claim certain days as non-private (exempt) while the vehicle is otherwise usually available, you **must keep good records**[31]. For example, a **logbook or travel diary** for business trips will support why you treated those days as exempt. Or a **garage receipt** showing the car was in the shop for a week justifies excluding those days. If you restrict weekend use via policy, keep the **signed letter** from the employee agreeing to it, and maybe a log of odometer readings to prove the car wasn't used Sat/Sun. In short, document any instance where you're not counting a day toward FBT[32] [33].

**Employee Contributions and FBT Mitigation**

An employee's **financial contribution toward the vehicle** reduces the taxable benefit. There are a few ways this happens in practice:

- **Payroll Deductions / Direct Payments:** The employer may charge the employee a set amount for personal use of the vehicle. For example, an employer might set a **personal use fee of $50 per week** for the company car. Over a year that's $2,600 the employee pays. IRD treats that as if the fringe benefit provided was that much less. These contributions must be made **in the same period** to count (you can't take a payment later to retroactively offset an earlier quarter's benefit; it should be contemporaneous or within the FBT return year). Proper documentation is needed to show the amount (e.g. deductions on payslips, or a receipt if the employee pays separately)[34] [35]. The Deloitte example we saw illustrates this: a $30k car had ~$16.67/day benefit, and an equivalent $16.67/day employee payment **"will remove the FBT liability as the taxable value will be reduced to nil"**[36].

- **Employee Pays for Fuel or Other Costs:** Sometimes arrangements are informal – e.g., the employee pays all fuel for personal trips out of pocket. If so, the employer can treat those fuel costs as an employee contribution (since the employee is bearing part of the expense of running the car). But by default, because IRD bundles fuel into the fringe value, you'd need to explicitly account for that to get an FBT reduction. Typically it's cleaner if the employee just pays the employer a fixed amount, rather than trying to count fuel receipts. If they do pay fuel directly, that doesn't automatically reduce the 20% calculation unless the employer makes an adjustment in the fringe benefit working papers for "employee-paid running costs." The onus is on the employer to prove any such offset and its valuation[37] [38]. Many avoid this complexity by keeping fuel on the company and charging a flat contribution instead.

- **Salary Trade-Off:** In some cases, the "contribution" is indirect – the employee might have a slightly lower salary in exchange for the perk of the car (which the employer then pays FBT on). This is effectively a salary sacrifice. The IRD doesn't care how the economics are arranged; for tax, it just sees that the employer provided a car and paid FBT, and the employee maybe got paid a bit less. But from a structuring perspective, an employer can negotiate "we'll give you a car but $X of your package will go toward it," which is essentially the employee bearing the cost. If properly done, that $X is considered a contribution (reducing FBT accordingly) rather than just a pay cut – but it must be set up right (usually via a formal novated lease or deduction agreement) to avoid simply looking like a lower salary with full FBT still due. Caution: This area can get complex with PAYE vs FBT interactions, so many keep it simple with explicit post-tax contributions as described earlier.

**Important:** Any employee contribution **must be an actual payment (or deduction) and not a notional one** to count. And it has to be applied to the cost of the vehicle's availability or running. You record how you calculated contributions and keep evidence of them[39] [40]. Also, contributions cannot reduce the taxable value below $0 – you can't carry forward excess payments to another period.

**Compliance and Recordkeeping Requirements**

Giving an employee unfettered personal use of a work vehicle means the employer has some homework to do to stay compliant:

- **Registering and Filing FBT:** The employer should be registered for FBT and file returns (quarterly, or annual if eligible) declaring the vehicle benefit. On the return, the days and value are reported. Since the car is an attributable benefit (tied to a specific employee), if the employer chooses, they can attribute it to that employee and potentially use alternate rate calculations to optimize the tax. Otherwise, they pay at the flat rate. Either way, they must include it in the FBT return each period.
- **Calculate Private Use Days:** Keep track of how many days each quarter the vehicle was available for private use[41]. In our scenario presumably 90 or 91 days each quarter. If there were any exempt days (say, the employee was in hospital for a week and car stayed at work), note those with dates and reason. The IRD FBT return form asks for number of days available out of the quarter for each vehicle if using the cost method. This can be simplified using a **90-day quarter assumption** if fully available, or reduced accordingly.
- **Maintain Vehicle Details:** Record the **vehicle's cost price (and/or tax book value)** and purchase documentation[42] [43]. You'll need this for the 20% or 36% calculations, and in case of an audit, to prove you used the correct value. Also note the **make/model and registration** tied to the employee.
- **Letters of Restriction or Availability (if any):** In this case, the employee has full use, so likely there's no restriction letter. But if you ever intend to enforce partial availability (like "not on weekends" or similar), that must be given in writing to the employee and kept on file[44]. For a work-related vehicle exemption scenario (not here, but generally), a letter stating the rules is required[45] plus quarterly checks records[46]. Essentially, paperwork to back up any claim of limited use.
- **Exempt Day Records:** For any day you exclude (business travel, repairs, etc.), keep supporting records[47] [48]. A simple approach is to maintain a **log or calendar** for the vehicle where you mark private use days vs exempt days. Some companies use an FBT diary or the IRD "test period" method (where you track 3 months in detail and extrapolate)[49], but with constant use it might be unnecessary. At minimum, if say in July the employee didn't use the car for 5 days, note those 5 dates and why (with evidence if possible).

- **Employee Contribution Records:** If the employee makes contributions (either via payroll deduction or direct payment), your records should **show the amount and date of each contribution**[50]. Have it in the employment agreement or a signed form if it's a regular deduction. And on each payslip, list the deduction "Company Car Contribution" or similar – this not only informs the employee (transparency) but serves as evidence for IRD that contributions were actually made. In your FBT calculations, you'd subtract the total contributed in the quarter from the taxable value for that vehicle, so your workpapers should reflect that math[51].
- **Retention:** Keep these records for the required period (generally 7 years in NZ). FBT is an area IRD audits because it's often misunderstood or mishandled by employers, so you want a paper trail.

To summarize the compliance mindset: treat a 24/7 personal-use company vehicle as if you've given the employee a chunk of extra salary in the form of a car – you must tax it (via FBT) just like salary is taxed via PAYE. And just as you'd keep records of wages paid, you keep records of fringe benefits provided.

**Tax obligations for a fully available company vehicle**: The employer must **calculate the fringe benefit value (typically 20% of the car's cost annually) and pay FBT on it** each period[52]. With 7-day personal use, every day counts, so there's no free lunch – the tax covers the benefit of personal use for the entire week, every week. No special exemption applies when private use is unrestricted (work-related vehicle exemption is only when private use is strictly limited)[53].

However, the employer **can mitigate the FBT cost** in two main ways without breaking rules:

1. **Have the employee contribute** to the car's costs, thereby reducing or eliminating the taxable benefit[54]. This shifts the cost to the employee instead of tax.
2. **Limit the private use** where feasible – even if you allow 7-day use generally, if there are periods it's not needed, formally remove access for those periods (and document it) to avoid FBT for those days[55].

In all cases, careful **recordkeeping** ensures you only pay what's required and can prove compliance[56]. If done correctly, the employee enjoys the convenience of a company vehicle, and the employer remains on the right side of tax law, paying FBT on the benefit value and not facing penalties.

Finally, be aware that **FBT rules are under review** as of 2025[57] – the government has signaled potential changes (for example, possibly reforming or removing the work-related vehicle exemption, or adjusting rates). So it's wise to stay updated on any FBT legislation changes that could affect how vehicles are taxed in the future. For now, the 20%/5% rule and current rates stand. By following these rules and documenting everything, you'll **meet your tax obligations** for that 7-day personal use vehicle and avoid any nasty surprises from IRD. [58] [59]

[1]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[2]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[3]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[4]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[5]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[6]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[7]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[8]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[9]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[10]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[11]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html

[12]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[13]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[14]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[15]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[16]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[17]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[18]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[19]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[20]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[21]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[23]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[24]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[25]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[26]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[27]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[28]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[29]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[30]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[31]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[32]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[33]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[34]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[35]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[36]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[37]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[38]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[39]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[40]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[41]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[42]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[43]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[44]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[45]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[46]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[47]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles

[48]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[49]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[50]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[51]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[52]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[53]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[54]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html
[55]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[56]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/record-keeping-for-fringe-benefit-tax/record-keeping-for-motor-vehicles
[57]https://www.ird.govt.nz/-/media/project/ir/home/documents/forms-and-guides/ir400---ir499/ir409/ir409.pdf?modified=20250617002618
[58]https://www.ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-motor-vehicles-for-private-use
[59]https://www.deloitte.com/nz/en/services/tax/perspectives/popular-employment-tax-questions.html

## Appendix 3– Case law from a forestry court decision

The courts and authorities have not signalled that simply driving from one's home to the forest base in the morning is compensable – that remains the employee's responsibility in most cases (unless an employment agreement says otherwise). Legal experts have noted that while work-related travel should be paid, **this principle "does not extend to the time it takes an employee to travel to and from their normal workplace"**. In practice, for forestry crews, the **"work clock" starts** either when reaching the designated assembly point at the agreed start time, or when boarding the employer's transport to the worksite – not during the personal commute from home to that meeting point.

The case law here related to remote work sites. Turning up at the assembly point is not work related but the subsequent travel to and through the forest is. Many employers pay for travel as work time over a "reasonable" commute time. It is not clear if this decision applies unilaterally. The proposed model allows for a % of interwork travel to be non cost recovered – see model calculator.

[1]https://business.scoop.co.nz/2018/12/19/forestry-shake-up-as-company-penalised-35000/
[1]https://blackdoorlaw.co.nz/pushing-the-limits-what-is-considered-work/#_ftnref1
[1]https://www.thelawyermag.com/nz/practice-areas/employment-and-labour/employment-court-overnight-stopovers-not-work-for-airline-crew/401003
[1]https://www.legislation.govt.nz/act/public/2016/0002/latest/whole.html
[1]https://www.hcamag.com/nz/specialisation/employment-law/what-is-work-and-when-should-you-be-paid-for-it/137934

# Annex Five: Industry's Draft Recommendation – New Accommodation Standards

*Note this is a draft and may be refined.*

**RSE Accommodation settings**
**DRAFT Industry proposal 27/02/2026**

## 1. Why change is needed

The RSE scheme was designed to create a "triple win" for employers (by providing experienced, reliable labour to enable industry growth); workers (by providing enhanced income and employment opportunities); and pacific nations (by supporting economic development through remittances and skills transfer).

However, as identified in previous policy work by government (and by industry), many aspects of the scheme have failed to keep up with its growth. This structural failure has been compounded by emergent challenges for employers including extreme weather events, rapidly expanding costs, critical processing delays and a lack of transparent of decision making in certain areas of Government.

That the scheme is no longer fit for purpose, is illustrated by the number of employers that have decided to exit the scheme in recent years, as well as a reduction in the numbers recruited from the Pacific. This trend doesn't just threaten the ability of the horticulture and viticulture industries to sustain growth. It affects the ability of the Government to achieve its export targets and capitalise on emerging markets (e.g. India FTA), the ability of workers to realise increased earnings and quality of life in their home countries, and the value of the RSE scheme to Pacific Governments as a driver of economic development.

This trend will continue if action is not taken and is already affecting the ability of the RSE scheme to realise its 'triple win' objective and the schemes resilience. This is demonstrated in Dr Richard and Dr Charlotte Bedford's paper 'How have in-country numbers of seasonal workers recruited for the RSE scheme and short-term PALM scheme been tracking since July 2023?1. Certainty around RSE settings is vital to maintain workforce stability and support the sector's continued growth and resilience as well as employer investment (i.e. in accommodation).

## 2. Economic Importance of the RSE Scheme

The RSE scheme is a cornerstone supporting the Government's goal to double export value. The horticulture and viticulture sectors contribute over $8b[2][3] in export revenue annually. The RSE scheme also fosters regional job creation, encourages grower investment and innovation, and upholds ethical employment practices. By underpinning the sector's economic sustainability, the scheme helps to preserve New Zealand's status as a leading export earner. The RSE scheme supports the development of an industry that is both attractive and responsible for pastoral care of workers.

In the Aotearoa Horticulture Action Plan4, Key Priority 5.2: *enable right person, right place: establish policy settings and legislation to meet labour needs*. sets out an action to "review the Recognised Seasonal Employer scheme with a long-term lens to address issues and provide certainty of settings for this vital programme". The outcome of this action is that "the RSE scheme is fit for purpose and beneficial for all involved". As one of the quad-partners of the Action Plan and the entity responsible for New Zealand's immigration system, this outcome cannot be achieved without the Government's involvement.

Labour, particularly the seasonal workforce, is as a key enabler of growth. As such, policy stability through the RSE scheme is critical. Reaffirming the scheme's relevancy and continuity aligns directly with the priority of enabling the right person in the right place, and safeguards growers' ability to invest, plan and manage risk in a sector where labour continuity underpins its domestic and export performance.

## 3. Purpose of this document

This document has been drafted for the Employment, Skills and Immigration Policy (ESIP) team conducting the ongoing RSE policy review work, to outline the perspectives of RSE scheme employers and to help inform policy work that industry would like to see concluded by April 2026.

A working group of 20 RSE scheme employers met in mid-October 2025. The purpose of this meeting was to confirm the top priorities for RSE employers – given policy reviews in various forms have been ongoing since 2019. Three key priorities were identified:

1. A suitable transport cost recovery methodology
2. Ensuring RSE policy alignment and consistency
3. Implementing workable accommodation settings

## 4. Overview of this proposal

- Current policy state
- National and International comparisons
- Industry proposal

### 4.1 Current RSE accommodation standards add unnecessary complexity and cost

The key policy issue relating to the RSE accommodation standards is the level of complexity imposed by bespoke RSE settings. With respect to RSE worker accommodation, employers are already subject to a broad range of standards and minimum requirements, including:

- The Housing Improvement Regulations 1947,
- The Healthy Homes standards,
- The New Zealand Building Code, and
- a range of regionally specific council standards (including requirements for building warrants of fitness).

The regulatory regimes listed above apply a legal standard that is considered satisfactory for all other accommodation (both residential and commercial) for the purposes of habitation by either New Zealand or migrant workers.

However, uniquely within the immigration system, in addition to the existing legal standards the RSE scheme also imposes a range of accommodation requirements over and above these general requirements, including across many areas that are already covered by existing rules. No other employers seeking work visa holders, whether AEWV, working holiday or other work visas, are subject to such requirements.

From a policy and operational perspective, it is unnecessary, costly and makes little practical or financial sense to have bespoke RSE accommodation standards. These standards create unintended consequences – adding extra layers of compliance and significant uncertainty (related to the assessment of standards by Labour Inspectors) that in turn negatively impact investment decisions by employers.

The RSE scheme has ~170 employers, with a stable pool of accommodation that has generally been considered satisfactory during the scheme's long history (almost 20 years). Industry strongly shares the Government's concern relating to any accommodation that is not up to an acceptable standard. However, the current regime either duplicates or places additional requirements that depart from acceptable standards elsewhere in relation to worker accommodation. In practice, government, industry and RSE workers do not gain from the heavy administrative burden of the current system.

*Accommodation standards emerged from dated WorkSafe guidance documentation that does not reflect the reality of RSE's as large scale accommodation providers*

Current RSE accommodation standards were based on a 2014 WorkSafe document relating to farmhouses (with small numbers of people such as shepherds and dairy farm workers).[1] In 2016, these guidelines were compiled into a factsheet.[2]

This factsheet was explicitly prefaced as "… *interim general guidance … based on previous guidance about farm worker accommodation"*.

This guidance has been stretched far beyond its original intended purpose (which was a <u>time limited</u> guidance document for an entirely different industry, which expired in 2018) and became integrated as the minimum standard of RSE accommodation standards, without RSE employer or Pacific consultation. These standards are now applied by the Labour Inspectorate (LI) using the employer accommodation self-audit checklist, and through LI recommendations to INZ on the approval of ATRs.

Critically, these standards were never designed or intended to replace existing legislation and standards, or New Zealand's Building Code. The application of such standards has never been appropriate for the many different types of accommodation within the RSE scheme accommodation.

In 2019 Minister Galloway directed that employers could not house RSE workers in residential accommodation (urban environments) which fundamentally changed the nature of RSE accommodation. Industry agreed to take pressure off urban accommodation by constructing purpose build accommodation for RSE workers for use 7 out of 12 months. For many major growing regions - council consents on RSE accommodation have restriction, meaning the accommodation can **only** be used for RSE workers. This has material financial ramifications.

### 4.2 National and International comparisons

The administrative burden uniquely placed on employers by the RSE scheme is evident when considering comparisons to settings within the broader New Zealand immigration system, and international best practice.

*New Zealand visa pathways comparison*

Other work visas place no requirements on accommodation provided to workers (outside arrangements made between employers and workers on their own accord), the standards for which are already governed by New Zealand employment law and general accommodation standards:

| Visa Type | RSE | AEWV | PSV | SSE |
|---|---|---|---|---|

[1] https://www.worksafe.govt.nz/dmsdocument/125-managing-health-and-safety-a-guide-for-farmers
[2] https://www.worksafe.govt.nz/dmsdocument/857-worker-accommodation

| | | | | |
|---|---|---|---|---|
| **Purpose** | Seasonal labour for horticulture and viticulture, 7 / 9 months in length. | Skilled or specialist full-time roles. | Peak seasonal roles up to 7 months in length. | Short-term seasonal labour for people already in NZ. |
| **Pastoral Care** | **Yes** – extensive requirements.<br><br>E.g. Airport pickup, provide worker transport, facilitate health access etc. | **No** – aside from general AEWV requirements on information provision (such as how to access healthcare, banking, tenancy rights and employment support). | | **No** |
| **Accommodation** | **Yes - must provide accommodation** that meets unique RSE standards. | **No** requirements | | **No** requirements |

*New Zealand Building regulations and other standards are already clear with respect to amenities, without the need for separate RSE standards*

The New Zealand building code sets clear expectations with regards to toilets, showers and other key aspects of accommodation.[3] This includes accommodation types that are analogous to RSE accommodation, like boarding houses, which have clear rules relating to amenities:

| | | | | |
|---|---|---|---|---|
| Hotels, hostels, motels, prisons, boardinghouses | Occupants | 1 – 8<br>9 – 20<br>>20 | 1<br>2<br>add 1 per 10 | For each *accessible* unit: One *accessible* shower |

However, current RSE minimum requirements impose a different standard, requiring a ratio of 1 shower per 7 persons:[4]

**Section G** **Washing facilities**

**G1.** There should be sufficient hand basins with sufficient hot and cold water capacity given the number of residents.

**G2.** There should be sufficient baths or showers given the number of residents. The ratio is to be at least 1 bath or shower per 7 persons. However, the Territorial Authority requirements may differ dependent on accommodation type and set-up. It is therefore necessary to ensure that RSE employers contact their local TAs to discuss.

**G3.** Each shower should have an attached dressing area. Each compartment (shower and dressing area) should have a floor area of at least 1 $m^2$.

This example of double standards exist throughout the RSE accommodation requirements. That RSE accommodation standards impose additional requirements on top of these existing standards means MBIE is holding RSE employers to a more rigorous standard than any other employer in the immigration system, and New Zealand's general rules regarding accommodation.

[3] Toilet calculator | Building Performance
[4] INZ RSE accommodation standards

*When comparing to Australia's PALM scheme, RSE is highly prescriptive*

With respect to the requirements for facilities and the ability of employers to ensure costs are covered, Australia's PALM scheme has more permissive settings than RSE:

| | **PALM** | **RSE** |
|---|---|---|
| General framing | Features requirements like:<br>• Fair and good value<br>• Security bond<br>• Transparency of costs<br>• Fit for purpose and in good condition<br>• Accessibility, safety and security<br>• Suitable sleeping quarters and arrangements<br>• Adequate bathroom facilities<br>• Leisure, social and telecommunication facilities | Highly prescriptive, including details like:<br>• 4.5m2 per person in bedroom<br>• 1.1m2 per person for dining with capacity for ALL workers to dine at the same time (makes little sense when some accommodation contains hundreds of workers).<br>• No collection of rental bonds allowed |
| Example: Washrooms | Adequate bathroom facilities required.<br>For every 10 workers:<br>• one toilet<br>• a hand basin and<br>• a shower, or bathtub with shower facilities. | More restrictive requirements.<br>For every 7 workers:<br>• one toilet<br>• a hand basin and<br>• a shower |

The focus on highly specific standards, is undermining the competitiveness of New Zealand RSE compared with the Australian PALM scheme, by layering additional compliance burdens on New Zealand employers.

**4.3 Industry proposal – remove the prescriptive settings and return to outcomes focused policy**

RSE accommodation settings should not be reduced to rigid technical measurements – settings should be pragmatic and practical. Employers strongly believe accommodation settings should focus on:

- culture
- dignity
- wellbeing
- privacy
- reasonable cost and transparency

Employers do not wish to reduce the standards of accommodation, instead make settings <u>sensible and practical.</u> To do this employers seek to work with the Pacific to enable a balance to be struck between costs needed for investment and the need for accommodation to be warm, dry and comfortable.

*Utilise New Zealand's existing building standards*
RSE accommodation standards should align with existing New Zealand laws and regulations that apply to other accommodation providers (e.g., building WoFs, fire regulations, Healthy Homes standards), rather than creating bespoke rules specific to RSE accommodation. Regional Council laws for each accommodation must be met. This includes ratios of showers, toilets and other sanitary services for the specific accommodation type. RSE requirements should be the same as New Zealanders.

*Benchmark against International Frameworks and comparable schemes*
Policy settings should consider relevant international standards and guidance, such as those from the International Labour Organization and the World Bank (which in general, apply a much less prescriptive position in relation to accommodation). Also take into consideration how accommodation standards operate within Australia's PALM scheme, as RSE employers compete directly with Australia for workers from the same nations.

*Clearly define operational roles and aim for effective, outcomes focused compliance*

- Clearly define the scope of the Labour Inspectors mandate to simply verifying accommodation via physical visits, to ensure it aligns with what employers have stated in their ATR applications.
- Ensure that INZ is the full and final decisionmaker with respect to accommodation, and that any standards align with New Zealand national rules and regional standards.
- Move toward risk and outcomes-based regulation rather than prescriptive "lowest common denominator" rules (e.g., square meter measurements and utensil counts).
- Redirect compliance resources toward proactive, regional audits that trade paper-heavy assessments of accommodation based on photos, with in-person visits to accommodation using the time saved.

*Simplify, and remove the red tape from the accommodation approval process*

Industry proposes a simple, one point of contact accommodation plan and checklist to be completed alongside an employer's RSE status application or renewal, unless accommodation had changed in the interim. The key feature of this checklist includes an employer declaration that the accommodation meets all relevant / applicable New Zealand accommodation standards and building codes and has received a fully independent assessment that the accommodation is Healthy Homes compliant (by 2030).

A draft template for such a checklist is attached at Appendix One.

*Cultural considerations and reporting mechanisms*
Many employers have long-standing relationships with Pacific communities and actively account for cultural considerations when constructing and modifying accommodation. On occasion, strict accommodation requirements applied to RSE do not always align with culturally competent accommodation considerations.

However, industry recognises the need to ensure workers are satisfied with their accommodation, and that some workers may not feel incentivised to raise issues, not least given the cultural differences between the Pacific and New Zealand. As such, in addition to the changes outlined above, industry proposes a reporting mechanism through regular worker voice surveys to ensure accommodation suitability, and to elevate the worker voice in the scheme.

Such a survey could be conducted through well-established companies such as 'Ask your team' or Just Good Work. These surveys would provide a valuable feedback mechanism for employers and enable the scheme's broader administrative functions to more effectively target non-compliance or issues. Industry welcomes the opportunity to work through this with MBIE and sending nations to design robust survey questions.

**Appendix 1**

**RSE accommodation plan and check list**
For each of the below – briefly describe how the facilities meet the needs of the workers and adhere to the principals of accommodation that preservers workers culture, dignity, wellbeing, privacy for a reasonable cost.

**Accommodation Checklist**
**Certification & Compliance**

- ☐ Healthy Homes Independent Certificate (by 2030)
- ☐ Building Warrant of Fitness (documented proof)
- ☐ Fire safety inspection certificate
- ☐ Evacuation plans in place
- ☐ Fire wardens appointed
- ☐ Compliance with regional bylaws

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**Facilities & Amenities**

- ☐ Washing facilities
- ☐ Adequate bathroom/shower/toilet facilities
- ☐ Communal and recreation spaces appropriate for number of residents
- ☐ Outdoor areas provided
- ☐ WiFi/communications provided

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**Bedrooms & Personal Living Spaces**

- ☐ Bedrooms furnished with:
  - ☐ Beds
  - ☐ Mattresses
  - ☐ Bedding
  - ☐ Cupboards/drawers/wardrobes
- ☐ Wardrobes/drawers and privacy partitions provided
- ☐ Secure location for valuables
- ☐ Bed capacity appropriate for comfortable stay (up to 7 months)

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**Kitchen & Dining**

- ☐ Kitchen configuration suitable for number of residents
- ☐ Cooking facilities provided
- ☐ Adequate cooktop-to-resident ratio (council compliant)
- ☐ Adequate washing machine-to-resident ratio (council compliant)
- ☐ Dining area provided
- ☐ Adequate dining equipment and utensils
- ☐ Food storage available
- ☐ Fridge storage available

**Storage**

- ☐ Storage for personal belongings

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**Maintenance & Operations**

- ☐ Cleaning, repair, and maintenance plan (evidence provided)
- ☐ Maintenance and cleaning schedule documented
- ☐ Pest control schedule signed off
- ☐ LPG installation signed off (if applicable)
- ☐ Endorsement from CLO / Pacific leaders

Unless anything changes - submit when renewing RSE status.
Declaration that this accommodation plan is true and correct and suitable for workers from x sending countries

| | |
|---|---|
| **NAME:** | |
| **SIGNATURE:** | |
| **DATE:** | |
| **PHONE:** | |

**Principals**

When considering accommodation settings industry took into account the following principles:

- **Consistency with International Frameworks**
  Policy settings should consider international standards and guidance, such as those from the International Labour Organization and the World Bank.
- **Clarify Labour Inspectorate (LI) Role**
  Clearly define the mandate of Labour Inspectors in approving and inspecting accommodation to ensure consistency, proportionality, and regulatory clarity.
- **Transparent, actual and verifiable accommodation costs**
  Accommodation charges should be based on actual, verifiable costs using a clear and consistent methodology.

Next steps
Webinar with employers mid March to gather feedback on draft document and refine
Canvass with Pacific

Housing improvement regulations 1947 references dwellings of 7 people where regulations apply for half the year. These are not applicable to RSE accommodation. Eclectic mix and match of regulations.
The ratios of 1 to 7 relates to a "dwelling unit" defined in the regulations as " a house or a room or group of rooms occupied or intended to be occupied as the living quarters of a single family exclusively, whether or not completely self contained in respect of domestic equipment; and includes a boarding house and a lodging house". RSE accommodation is not "dwelling units" they are boarding houses and the regulations in the table for sanitary facilities apply.