

[RULINGS](#) > [PRODUCT](#) | [WHAKATAUNGA](#) > [WHAKAPUTANGA](#)

Kiwibank Limited

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BR Prd 26/08

The arrangement is a product Kiwibank offers to its customers. The product is marketed as the Kiwibank Offset Mortgage (the Product). The Product allows a customer to elect that interest payable by the customer on a loan made by Kiwibank should be calculated by offsetting the balance of the loan against the aggregate credit balances of certain eligible nominated bank accounts (hereafter referred to as credit accounts) held by either that customer or certain other eligible persons. Interest is payable on the net notional balance of these combined accounts.

This ruling does not consider the tax consequences of any arrangement under which a credit account holder agrees to offset his or her credit account balance against another person's home loan account balance in return for valuable consideration.

START DATE – END DATE | RĀ TĪMATA – RĀ MUTUNGA

01/06/2026 – 31/05/2031

(THIS TITLE PAGE DOES NOT FORM PART OF THE RULING | KĀORE TĒNEI WHĀRANGI TAITARA I WHAI WĀHI I TE WHAKATAUNGA.)

Product Ruling | Whakataunga Whakaputanga – BR Prd 26/08

This is a product ruling made under s 91F of the Tax Administration Act 1994.

Name of person who applied for the Ruling | Ingoa o te tangata i tono i te Whakatau

This ruling has been applied for by Kiwibank Limited.

Taxation Laws | Ture Tāke

All legislative references are to the Income Tax Act 2007 unless otherwise stated.

This ruling applies in respect of ss BG 1, CC 7, EW 15, EW 31, RE 1(1) and RF 2(1).

The Arrangement to which this Ruling applies | Te Whakaritenga i pāngia e tēnei Whakataunga

The arrangement is a product Kiwibank offers to its customers. The product is marketed as the Kiwibank Offset Mortgage (the Product). The Product allows a customer to elect that interest payable by the customer on a loan made by Kiwibank should be calculated by offsetting the balance of the loan against the aggregate credit balances of certain eligible nominated bank accounts (hereafter referred to as credit accounts) held by either that customer or certain other eligible persons. Interest is payable on the net notional balance of these combined accounts.

This ruling does not consider the tax consequences of any arrangement under which a credit account holder agrees to offset his or her credit account balance against another person's home loan account balance in return for valuable consideration.

Further details of the arrangement are set out below.

Background

- 1) The Product is a feature Kiwibank offers to new and existing customers. The Product is available to individual and business customers, including companies and trusts, at Kiwibank's discretion.

- 2) The Product is capable of affecting how interest is calculated on certain variable rate loans offered by Kiwibank and that have a pre-agreed fixed periodic repayment arrangement (also referred to as a term loan).
- 3) Kiwibank also offers loans with a revolving credit feature whereby amounts can be repaid or re-borrowed at any time provided the principal, interest, fees and costs on the loans do not exceed the specified maximum credit limit (also referred to as a revolving loan). The Product offered by Kiwibank does not have revolving features.
- 4) In overall commercial terms, the economic consequences for a customer of using the Product or using a revolving loan bearing a variable interest rate are broadly the same.
- 5) Customers of Kiwibank can elect for their term loan to be one or more of three loan types: fixed rate, variable and offset.
- 6) A fixed rate loan is subject to a fixed interest rate for a fixed term. Customers can repay all or part of a fixed rate loan at any time, although they can be charged with a fixed rate break cost for making a repayment that exceeds an early repayment limit agreed with Kiwibank.
- 7) A variable rate loan is subject to a variable interest rate. Customers can repay all or part of the variable loan at any time without any break costs.
- 8) An offset loan is subject to an offset variable interest rate. The amount of interest payable is calculated by reference to a notional balance that takes into account the loan balance offset by the total balances of the credit accounts multiplied by the relevant Kiwibank offset ratio. This results in a larger proportion of a customer's regular loan repayments being applied against the reduction of the principal of the offset loan. Therefore, this feature effectively treats a group of accounts in a collective or aggregated manner for the purpose of calculating interest accrued on the offset loan.
- 9) The offset loan is intended to make the Kiwibank banking relationship more attractive to current and potential customers.
- 10) The key features of the Product are outlined below.

Interest calculations – calculations of interest on an offset loan

- 11) Interest payable on an offset loan is calculated by reference to a notional balance. This notional balance is determined, for the purpose of that interest calculation only, by reducing the balance of the offset loan by the aggregate of the credit balances of the linked credit accounts.

- 12) The rate of interest applicable to the Product is the offset variable interest rate. The offset variable interest rate is one of several different rates that Kiwibank uses, under the terms and conditions for home loans that apply to the Product. The offset variable interest rate may be the same as, above or below Kiwibank's variable interest rate.
- 13) Interest is not calculated separately in respect of each account and then offset; instead, a net notional balance is calculated across all relevant accounts. The notional balance equals the balance of the offset loan less (ie, offset against) the credit balances of up to eight linked credit accounts. Interest is then payable on that net balance at the offset variable interest rate. This is the case as a matter of law (in terms of the contractual relationship under the various terms and conditions applicable to eligible loans offered by Kiwibank) and as a matter of practice (in terms of Kiwibank's computer and accounting systems).
- 14) The offsetting is purely for the purpose of calculating the notional balance on which interest is calculated. There is no actual transfer of funds, or set-off or netting of funds together in an account, or transfer of any interest in or entitlement to funds.
- 15) Interest is calculated on a daily basis and is debited to the loan account on a regular basis. Loan repayments are credited periodically into the loan accounts, which will pay the periodic interest and reduce the principal outstanding. Such payments can be transferred from a Kiwibank account the customer has nominated. This bank account from which funds will be drawn to meet the periodic payment obligations may or may not be another credit account of the customer that has been elected to participate in the Product.
- 16) The offsetting aspect of the Product essentially offers similar economic outcomes to customers as a revolving loan in terms of reduced interest costs (to the extent the loan balance is reduced by available funds in the credit accounts) and consequently accelerating the loan repayment. With a revolving loan, funds that would otherwise be in a savings or cheque account are paid into the loan account (but are available to be redrawn).
- 17) Kiwibank, at its discretion, can make the Product available to business customers. However, business customers may not group their accounts with individuals or separate business entities. These eligibility criteria are discussed further below.

Eligibility requirements

- 18) The Product is available to only:
 - a) an individual who holds an eligible loan facility with Kiwibank;
 - b) two individuals who are married, in a civil union or in a de facto relationship and who hold an eligible loan facility with Kiwibank;
 - c) a company that holds an eligible loan facility with Kiwibank, at Kiwibank's sole discretion; and
 - d) a trust that holds an eligible loan facility with Kiwibank, at Kiwibank's sole discretion.
- 19) Eligible loans are the following loan products Kiwibank currently offers:
 - a) residentially secured loans; and
 - b) home loans.
- 20) Additional people can elect to offset certain credit accounts against the loan of an individual customer or two individual customers who are married, in a civil union or in a de facto relationship if they are a:
 - a) child or children of the customer (or one of the customers); or
 - b) parent or parents of the customer (or one of the customers).
- 21) Children and parents of an individual customer or customers can have a registered address with Kiwibank that is different from that of the customer or other eligible persons.
- 22) An offset loan can be offset by up to eight eligible credit accounts of the customer or customers or other eligible people (in the case of individual customers).
- 23) In respect of companies or trusts, only one legal entity such as a company (including companies with special tax statuses, such as a qualifying company or a look-through company) or a trust can be in a group at any time, and no offsetting between accounts of different entities (including the entity and any related individual) is permitted.
- 24) The only types of credit account eligible for the Product are certain non-interest-bearing credit accounts. Kiwibank plans to remove all interest-bearing accounts that previously qualified for the Product from the calculation of the offset feature by 1 September 2026.

Other features of an offset loan

Features that apply to other loans

- 25) The offset loan has features that also apply to other term loans. These features include the following:
- a) Interest is calculated on a daily basis and is debited to the loan account on each specific date.
 - b) Customers can repay all or part of an offset loan at any time without any break costs.
 - c) Interest and principal of an offset loan are repayable by way of regular payments over the term of the loan, except in relation to any applicable interest-only period. Only interest payments are required to be made during an interest-only period.
 - d) All amounts owing under the loan must be repaid in full on the last day of the loan term.
 - e) The offset variable interest rate can vary at any time. Kiwibank will give the customer notice before changing the rate. If the offset variable interest rate:
 - i) increases, the customer's regular payments for the offset loan will automatically increase if this is necessary to enable the customer to pay off the offset loan over the pre-agreed term; or
 - ii) decreases, the customer's regular payments for the offset loan will remain the same, and consequently the term of the loan will shorten; however, the customer can elect to reduce the amount of the regular payment so the offset loan can be repaid over the same term.
 - f) If an existing customer elects to convert a part or all of an existing variable rate loan to an offset loan, the customer must agree that Kiwibank's applicable terms and conditions for the Product will apply.
 - g) A customer may have more than one loan account to which the terms and conditions of the Product apply, but each such loan account is treated separately.
 - h) An eligible account can be nominated to link to only a single loan account under the Product's terms and conditions.
 - i) Interest cannot be capitalised on any loan to which the Product applies, except to the extent of any interest component on a defaulted payment that may be

capitalised by adding it to the daily balance of the relevant loan only for the purpose of calculating further interest. The defaulted interest does not become part of the outstanding principal loan balance and remains an outstanding interest payment.

Terms and conditions for the Product

- 26) Each Kiwibank loan is documented under the following collection of documents:
- a) In respect of home loans, the:
 - i) Home Loan Terms and Conditions are in a booklet that Kiwibank issues (as amended and updated from time to time) and that sets out the generic provisions applicable to all Kiwibank home loan facilities; and
 - ii) Home Loan Summary that contains particular and specific provisions in relation to the home loan facility that is being made available to a specific customer, including the amount and timing of regular payments calculated on a basis that will repay the loan over the applicable term.
 - b) In respect of other loans, the:
 - i) Business Facility Terms and Conditions set out the generic provisions applicable to all of Kiwibank's business lending facilities; and
 - ii) Business Facility Agreement contains particular and specific provisions in relation to the business loan facility that is being made available to a specific customer, including the amount and timing of regular payments, calculated on a basis that will repay the loan over the applicable term.
 - c) In respect of all loans, the General Terms and Conditions contain terms that govern the general banking relationship between Kiwibank and its customers and may also contain specific terms and conditions that apply to particular accounts and services.
- 27) If any conflict exists between any part of the General Terms and Conditions and:
- a) Home Loan Terms and Conditions, the Home Loan Terms and Conditions apply;
 - b) Business Facility Terms, the Business Facility Terms and Conditions apply.

Groups of accounts

- 28) The Product is based on a group of participating accounts. The following rules explain which accounts can be included in the group:
- a) The accounts of an individual, or the individual and joint accounts of married, de facto and civil union couples, any of their children, and any of their parents may be combined as part of one group. To illustrate, Sarah and Peter have a home loan facility with Kiwibank. If Sarah and Peter and their child, Michael, each has a transaction account with Kiwibank (ie, an account eligible to be nominated for use with the Product), the home loan facility could be offset by the credit balances of the various accounts held by them.
 - b) Groups of individuals, being borrowers of the loan facility and owners of the eligible credit accounts nominated for the offset feature, must all be:
 - i) residents of New Zealand for tax purposes; or
 - ii) non-residents of New Zealand for tax purposes.
 - c) Business customers, such as companies, trusts and sole traders, are eligible to participate in the Product, at Kiwibank's discretion. However, a company, trust or sole trader may not group its accounts with those of individuals or separate business entities.

Conditions stipulated by the Commissioner | Here i āta whakaritea e te Kaikōmihana

This ruling is made subject to the following conditions:

- (a) All interest rates related to the Product are arm's length market interest rates.
- (b) The offset ratio as described in the updated May 2025 Kiwibank Home Loan Terms and Conditions shall not exceed one, when applied to credit accounts.

How the Taxation Laws apply to the Arrangement | Ko te pānga o ngā Ture Tāke ki te Whakaritenga

Subject in all respects to any conditions stated above, the Taxation Laws apply to the arrangement as follows:

- (a) No consideration is paid or payable by virtue of the offset feature of the Product for the purposes of calculating income and expenditure under s EW 15 or s EW 31.

- (b) No income arises under s CC 7 for Kiwibank's customers in relation to the arrangement.
- (c) For the purposes of the resident withholding tax rules (as defined in s RE 1(1)) and the non-resident withholding tax rules (as defined in s RF 1(1)), there is no payment of or entitlement to interest in relation to the credit accounts participating under the arrangement that would give rise to an obligation to deduct resident withholding tax or non-resident withholding tax or pay an approved issuer levy.
- (d) Section BG 1 does not apply to the arrangement.

Period or income year for which this Ruling applies | Te wā, te tau moni whiwhi rānei i pāngia ai e tēnei Whakataunga

This ruling will apply for the period beginning on 1 June 2026 and ending on 31 May 2031.

This ruling is signed by me on the 20th day of May 2026.



Sarah Kiely
Group Lead, Significant Enterprises
Customer & Compliance Services

About this document | Mō tēnei tuhinga

Product Rulings are issued by the Tax Counsel Office and Customer and Compliance Services. Product Rulings set out the Commissioner's view on how tax laws apply to a particular "product" – which is an arrangement that a specified taxpayer is likely to enter into with a number of people on identical terms. Taxpayers who enter into the arrangement described in a Product Ruling may apply the ruling but are not obliged to do so. Product Rulings are binding on the Commissioner. This means that if you are entitled to apply a Product Ruling and you have calculated your tax liability in accordance with the ruling, the Commissioner must accept that assessment. A Product Ruling applies only to the taxation laws and arrangement set out in the ruling, and only for the period specified in the ruling. It is important to note that a general similarity to an arrangement covered by a Product Ruling will not necessarily lead to the same tax result.