

NOTICE OF WITHDRAWAL

29 November 2024

Commissioner's policy statement on the income tax treatment of computer software developed for lease or licence

Clarification of the income tax treatment of software development expenditure has been included in the Integrity of the tax system workstream of the Government tax and social policy work programme announced on 13 November 2024.

In 1993 the Commissioner published a policy statement on this topic entitled "Taxpayers who develop software for lease or licence" published in Section 3 of the Appendix to *Tax Information Bulletin* Vol 4, No 10 (May 1993) (the Appendix).

Technology and the way software is commercially exploited has changed considerably in the more than 30 years since the Appendix was published. For instance, the Appendix does not consider cloud-based computing, including the provision of software as a service (SaaS), which has evolved more recently. Given the changes, the Appendix has limited application and where it could apply it is incorrect when software is developed for licensing. This was indicated in Issues Paper IRRUIP 10 "Income tax treatment of software development expenditure" released by Inland Revenue's Public Rulings Unit in August 2016.

The Appendix was partially replaced by "IS 16/01: Income tax – Computer software acquired for use in a tax taxpayer's business" *Tax Information Bulletin* Vol 28, No 6 (July 2016):69.*

In light of the above, the Commissioner considers it is appropriate to withdraw the remainder of the guidance in the Appendix. This means the Appendix does not represent the Commissioner's view of the income tax treatment of software development expenditure.

Any taxpayers who consider that the withdrawal of the guidance in the Appendix adversely affects their tax affairs should contact the Commissioner to discuss their individual circumstances.

* IS 16/01 has since been replaced by "IS 17/04: Income tax – computer software acquired for use in a taxpayer's business" published in *Tax Information Bulletin* Vol 29, No 5 (June 2017): 173