

**NEW ZEALAND RACING INDUSTRY REFORM**

**A STRATEGIC IMPERATIVE FOR A SUSTAINABLE FUTURE**

**RECOMMENDATIONS TO MINISTER FOR RACING  
AND THE HORSE RACING INDUSTRY**

**TAB NEW ZEALAND RACING ADVISORY COMMITTEE**

**JUNE 2026**

# EXECUTIVE SUMMARY

## RECOMMENDATIONS TO UNLOCK RACING INDUSTRY GROWTH

The TAB New Zealand Racing Advisory Committee agrees with the Minister for Racing, Rt. Hon. Winston Peters, that the domestic racing industry has meaningful growth potential and the capacity to increase its contribution to the New Zealand economy. However, the Committee's assessment is that the industry's current operating model is unlikely to realise that potential without structural change.

The Committee's work has focused on establishing a clear and shared fact base across horse supply, funding flows, infrastructure, and governance. This has included detailed analysis supported by TAB NZ management and external advisors, engagement with New Zealand Thoroughbred Racing (NZTR) and Harness Racing New Zealand (HRNZ), and benchmarking against international racing jurisdictions that have successfully addressed similar challenges.

The industry's governance structures are driving operational inefficiency, a lack of accountability, and money invested at the administrative level instead of focused investment to grow industry outcomes.

If the system stays as it is, the compounding loops (the "negative flywheel") of fewer horses, weaker product, a bloated cost base and unreliable venues will see the industry slip back toward its pre-2023 decline. Any efforts to work around these issues have been tried for decades and have not changed the trajectory.

Consolidating governance, unlocking assets, stabilising supply, and lifting efficiency are now essential. Incremental steps will not hold the line; a coordinated reset is required now to avoid a material fall in funding, participation and export strength after the 2027/28 season when the industry's guaranteed funding period comes to an end.

**The Committee's five recommendations will enable a right-sized and efficient industry that delivers both sustainability and a platform for growth through self-funding investments.**

**The Committee recommends:**

**1. Unified Governance** – a single entity responsible for industry strategy, funding, calendar and marketing. This will maximise returns to participants by improving efficiency and accountability across the industry's administrative bodies. Each sport – thoroughbred racing and harness racing – will retain their individual identities but the removal of duplicated administrative functions will enable savings that can be reinvested in the foundations of the industry.

**2. Strategic Property Vehicle** – a centralised property vehicle to rationalise venues, unlock capital, and direct investment to priority infrastructure. This would create over \$700million of capital; mission locked for the benefit of training and racing infrastructure.

**3. Tax Changes to stimulate domestic breeding and ownership** – a series of tax changes are recommended to enable deeper investment and re-investment into breeding. Stimulating the domestic foal crop will enhance our export opportunities while at the same time supporting the domestic racing product.

**4. Crown-funded integrity** – the transfer of Racing Integrity Board funding to the Crown to remove inherent conflicts with the current regime and improve efficiency. This will also see the racing industry's integrity function treated consistently with the sporting sector and enable better efficiency across New Zealand's sporting integrity landscape.

**5. TAB NZ Modernisation** – as the industry's annual funding is almost solely reliant on TAB NZ (and Entain) performance, it is critical betting and gaming provisions keep up with technological change and enable revenue diversification to support longer-term funding needs. This includes access to emerging markets such as online casinos, in-race betting and novelty betting.

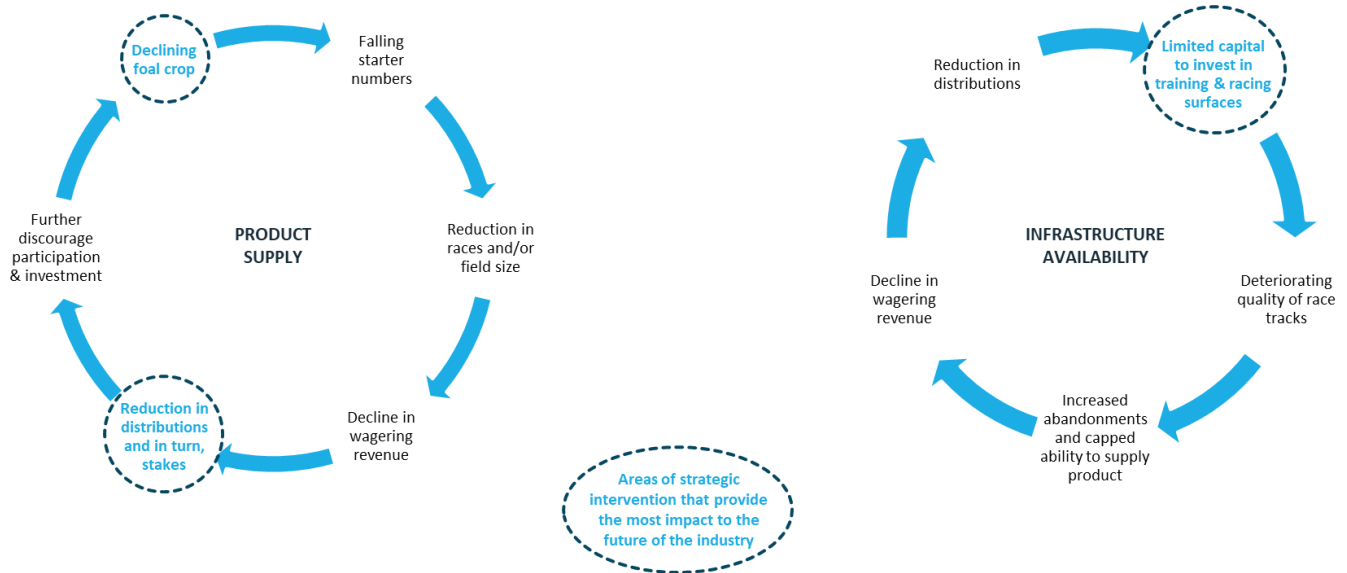
## BACKGROUND

TAB New Zealand's five-year funding guarantee has provided the platform for a much-needed stakes boost, however the industry is trapped in two reinforcing loops of decay that money alone cannot break: fewer horses reduce revenue and investment, while under-invested infrastructure erodes reliability, pushing revenue lower again.

With no meaningful progress on the broader strategic issues within the industry itself – the negative flywheel effect can be seen clearly:

- **More than 500 thoroughbred breeders have been lost since 2015**, and the thoroughbred foal crop is down 10% since 2020, and down 22% in the last 10 years – starter numbers projected to fall by 18% by 2035.
- **Standardbred foal crop is down 30% since 2020**, and down 44% in the last 10 years – starter numbers projected to fall by 32% by 2035. We note that Harness Racing New Zealand's recent incentives has seen more mares covered in the 2025 breeding season than the 2024 season (+6%), however the coverings remain historically low.
- **TAB NZ funding from its wagering partner is forecast to remain below the minimum guaranteed level for the entire period of the guarantee** – without urgent intervention now, this implies distributions to industry would need to decline in FY29.
- The **cost base within NZTR and HRNZ has increased by \$13m since 2023** and is forecast to increase a further \$6.7m in 2026 – most of which is focussed on additional code funding, perpetuating the inefficient club and venue network that already exists today.
- The **industry administration cost base now totals \$91m pa**, representing 58% of the total amount returned via stakes & bonuses to participants – well above benchmarks in Australia that imply up to \$25m could be removed from administrative operating costs in NZ.
- **Up to \$700m of capital is sitting across fragmented ownership of industry assets** – there is no funding plan for infrastructure upgrades and recent projects have resulted in significant wastage of the industry's capital.
- New Zealand's thoroughbred **black type pattern is teetering on the edge**, with Group 1 ratings only being met on 4 occasions in 4 years across more than 75 Group 1 races in that period – further black type downgrades, coupled with the decline in the foal crop, could place the \$130m+ breeding export market at risk.

**Collectively, the industry financial situation is unsustainable with a structural deficit of more than \$50 million per annum.** On current estimates and without further support funding from TAB NZ reserves, both NZTR and HRNZ will have exhausted their own reserves by the end of the 2027/28 racing season.



### Advisory Committee conclusion

Through its review and following direct engagement with TAB NZ, NZTR, HRNZ and certain racing clubs, the Advisory Committee has formed a clear view that the industry must alter its settings to change its trajectory. The same structural barriers that have stalled past reforms – fragmented governance, club property rights, duplicated administration and misaligned incentives – are still blocking progress.

Without reform, the industry currently faces a combined deficit exceeding \$50 million per annum (between 2026 and 2028). Following greyhound closure, the medium-term structural deficit will reduce but continue at approximately \$20 million per annum alongside significant risks.

### THE UNSTABLE FOUNDATION OF THE STATUS QUO

New Zealand racing is held back by several structural faults that interact, compound, and ultimately render the status quo unsustainable. These problems – outlined in the table following – are fundamentally interlinked. Left unaddressed, they continue to compound, creating a system that cannot sustain itself in the long term.

Problem Name	Key Symptoms	Interconnected Impact
Shrinking Horse Supply	Declining foal crop; smaller field sizes, fewer races.	Undermines the core racing product, reducing betting appeal and revenue generation.
Excessive Venue Footprint	Many underutilised tracks; inefficient maintenance costs; deteriorating surfaces and amenities; weather-related abandonments.	Spreads investment too thin, leading to under-invested facilities and financial fragility. Erodes participant confidence and wagering revenue; makes brand renewal difficult.
Fragmented Governance and Weak Accountability	Muddled decision-making; no single authority.	Blocks industry-wide initiatives (e.g., calendar optimisation, marketing) and allows strategic issues to go unaddressed for years without consequence.

Community vs. Sustainability Tension	Strong local resistance to track closures.	Prevents venue rationalisation and asset optimisation; perpetuating costs and inefficiencies.
Financial Fragility	Clubs operate at a loss; dependence on central funding and/or bailouts.	Limits investment in facilities, stakes, and marketing; worsens all issues.
Duplicated Functions, Manual Processes and Cost Inefficiency	Separate admin teams for each code; ageing and manual core IT systems across each code.	Wastes resources that should be redirected to core growth initiatives.
Ageing Participants and Audience	Core fan base is older; weak youth engagement; ownership and breeder base is ageing; attracting younger trainers / staff is a challenge.	Limits future supply of racing product (breeders and racing owners), erodes future betting turnover, sponsorship value, and public support.

## THE BARRIERS TO PROGRESS ARE STRUCTURAL

These core problems persist because a small set of structural barriers have repeatedly blocked execution.

Barrier	Key structural issues
Fragmented Governance and Decision Rights	A multi-layered structure with no single point of leadership creates a collective action problem. Codes and autonomous club committees can veto industry-wide moves to protect uneconomic tradition or avoid inconvenience. With no central mandate to align calendar, funding and infrastructure, coherent strategy is near-impossible. Each entity pursues local priorities. Further, with no clear and direct accountability, all layers within the structure can “finger point” and blame others as reasons to prevent progress.
Club Property Rights Blocking Venue Reform	Individual club ownership and control of racecourse land block rationalisation. Unlocking latent value for reinvestment requires a mechanism to pool, align or override those rights; without it, network optimisation will remain stalled.
Duplicated Administrative Functions	Parallel code and club structures (finance, marketing, IT, HR) create a bloated cost base and slow delivery. Ageing systems and manual processes persist, denying scale. Cultural resistance to shared services protects autonomy and headcount, denying economies of scale and diverting millions from frontline activity (stakes, fan development). Without a governance model that enables centralisation where it makes sense, obvious efficiencies remain unrealised.
Misaligned Incentives for Collaboration and Delivery	The current settings reward local optimisation and penalise system-wide outcomes. If a club gives up a race date to improve the national calendar, it loses revenue and relevance with no compensating benefit. Compensation is not necessarily required, but we are highlighting this as an example (that occurs regularly) of how the industry funding structure deters cross-code collaboration and resource sharing; well-intentioned reforms repeatedly fail to gain traction because no entity has a short-term reason to sacrifice for the greater good.

## THE OPPORTUNITY THAT REFORM CAN DELIVER

The structural changes we recommend will convert today's position into a self-funding flywheel — higher wagering, stronger tax take, and more regional jobs, compounding year on year. By acting now and breaking from decades of inertia, racing can become a modern commercial asset that pays its way, strengthens communities, and restores national pride in the sport for generations to come.

For Government, the additional economic impact can be significant. Based on the 2024 Size & Scope Report, we estimate a hypothetical additional 500 thoroughbred broodmares in the ecosystem by 2030 could drive an uplift in annual economic value of more than NZ\$50m by the time the ongoing benefit to the training and racing sectors are incorporated.

By acting now, the following can be achieved before the end of the 2027/28 guaranteed funding window:

- **Material administrative and operational cost savings achieved** – target of ~\$15m per annum to provide greater relative return to participants
- **Stabilisation of foal crop trends**, particularly in thoroughbreds, to provide greater racing product in 5-10 years and ensuring ongoing yearling market export values
- Realisation of **surplus industry capital to allow targeted and prioritised infrastructure investment** in core revenue generating areas and venues
- **Revamped racing calendar and black type pattern to maximise wagering** return from the industry's product and protect the value of domestic pedigrees on the international stage

## THE RECOMMENDATIONS

The Committee's recommendations are tools to break a mechanical cycle of decline that is currently consuming the industry's equity. They are tools to enable the industry to fix its own problems.

Accordingly, the Committee proposes five interlocking reforms:

1	Unify racing governance under a single accountable body with clear responsibility for strategy, funding, calendar and marketing.
2	Create a Strategic Property Vehicle to unlock and deploy racing industry capital across a rationalised venue network.
3	Modernise tax and regulatory settings for breeding investment to address the foal-crop shock and rebuild supply.
4	Transfer Racing Integrity Board funding to central Government appropriation to remove conflicts of interest, protect social licence and provide consistency with the sporting sector.
5	Modernise TAB NZ's legislative settings for revenue diversification so it can compete fairly, recapture offshore leakage and sustain funding beyond the Entain guarantee.

These reforms, taken together, will break the negative cycles of decline and set the industry on a path to sustainable growth. They will avert decline and ensure a heritage industry remains a high-value export sector that contributes meaningfully to regional economies, employment, and New Zealand's international reputation in thoroughbred and harness breeding.

In addition, thoroughbred and harness racing supports NZ\$1.72b of value-added contribution to New Zealand's GDP, and 12,579 jobs within racing plus jobs sustained in supplying industries. **Appendix A** expands on the economic risk without structural reform.

# Recommendation 1

## Unify Racing Governance Under a Single Accountable Body

Establish a single governing body with clear accountability for industry strategy, funding allocation, calendar and programming, and marketing. An appointed "Establishment Board" would develop the detailed design and transition plan for this unified body.

In the longer term, constitutional and statutory changes to the Racing Industry Act will be required to establish a statutory governing body and embed this unified model.

### Why This Matters: Ending the Veto Culture

This is not a new finding. The 2018 Messara Report concluded that racing's multi-layered governance structure was unsustainable and called for unified leadership.

International experience supports this. Ireland's unified authority (Horse Racing Ireland) now directs all racing funds and strategy under a single legislated mandate, which eliminated internal veto points and revitalised their industry – with economic impact growing 34% from 2016 to 2022. New Zealand must adopt a similar model.

Unfortunately, since the Messara Report it has been demonstrated that cooperation cannot be incentivised, it must be legislated. The current governance structure disperses decision-making across TAB NZ, NZTR, HRNZ, and Racing NZ, creating a "Veto Culture" that has paralysed reform for 30 years. Existing entities are legally bound to serve their narrow constituencies rather than the national interest. This creates four critical problems:

- **Veto points:** Codes and autonomous club committees can block industry-wide initiatives to protect local traditions or convenience
- **Structurally mandated waste:** Legislation requires separate bodies, driving significant duplication of costs (\$91m in administration against \$156m in stakes)
- **Misaligned incentives:** Local optimisation defeats system-wide performance
- **No accountability:** When performance declines, finger-pointing replaces action

### Accountability of the proposed single governing body

The new entity in New Zealand must have statutory power to direct the industry, not just coordinate it. The body should ultimately be accountable for:

- strategy and funding of racing industry activity (with funding passed through by TAB NZ);
- racing calendar, programming and scheduling; and
- the marketing and promotion of the New Zealand racing industry (breeding to racing).

### Future status of NZTR and HRNZ

The code entities will be consumed by the new single governing body entity and will have their core functions delivered by the new body. These functions include welfare, licensing, handicapping, racing rules and operational delivery of the calendar – consistent with a strategy and budget approved by the Board and the commercial arm of the over-arching body.

### Outcomes Delivered

- Directors of new unified body appointed through Government
- A single point of accountability for industry performance and long-term health
- Elimination of duplicated administrative functions
- Funding decisions aligned with industry-wide strategic priorities
- Maintenance of individual code identity remains

## Recommendation 2

### Establish a Strategic Racing Property Vehicle

Support a centralised Racing Property Vehicle (Partnership) that pools racing venues and related assets under professional governance, with clubs recognised as unit / equity holders according to their equity contributions.

The centralised vehicle would then pursue an investment strategy that is set out and agreed with the Board / Management of the new single governing body – based on a coordinated plan from the unified industry strategy.

### Why This Matters: Preventing Capital Destruction

Without a centralised property vehicle and a single accountable body driving the industry, it is likely that the industry's \$700m asset inheritance will be misused on – and depleted by – uncoordinated projects and piecemeal strategic planning. Fragmented capital leads to deferred maintenance, deteriorating surfaces, race abandonments, punter confidence erosion, wagering decline, and even less capital for maintenance.

A Strategic Racing Property Vehicle would break that loop. All racetracks and training centres would be vested in a single entity, managed by a professional board. Individual clubs would exchange their land ownership for equity units in the SPV, so they retain a financial stake (and likely their club identity) but no longer control the assets directly. The SPV would then allocate capital based on strategic merit – investing in yield-generating assets such as all-weather tracks, night-racing facilities, and training centres near horse populations – while clubs focus on running race meetings and hospitality as “tenants” rather than landlords. Under-utilised or surplus land could be repurposed or sold, with proceeds reinvested into priority infrastructure – an outcome which has been successful at a localised level through Auckland Thoroughbred Racing.

Importantly, the Vehicle does not require compulsory transfer of club assets. Clubs would retain the choice over whether and when to vest their property into the Vehicle. However, access to future industry infrastructure funding from industry revenue needs to be made conditional on participation in the Strategic Property Vehicle.

In practice, this means:

- Clubs that elect to transfer their racecourse or training assets into the Vehicle receive equity units and become eligible for Vehicle-funded capital upgrades and maintenance.
- Clubs that choose not to participate can continue to operate independently but will not be eligible for industry-sourced infrastructure funding or Vehicle-backed capital projects.
- Over time, this creates a strong but voluntary incentive to join – industry capital is channelled only into assets that sit within the unified, professionally-governed network, ensuring that scarce funding is not spent propping up non-participating or low-priority venues.

This design preserves club autonomy while using funding settings – rather than compulsion – to align investment decisions with the industry-wide venue strategy. However, for completeness, it is noted that the intention of the Racing Industry Act's surplus venue provisions should continue for venues which are not required for racing.

### Outcomes Delivered

- Historical club investment protected and recognised through equitable ownership stakes
- Capital directed to revenue-generating infrastructure (training and racing surfaces)
- Coordinated investment aligned with unified industry strategy
- Commercial asset optimisation (hotels, car parks, industrial uses) to lift returns



# Recommendation 3

## Modernise Tax and Regulatory Settings for Breeding Investment

Implement a package of tax and regulatory reforms across five areas:

- Accelerated depreciation for broodmares and breeding stock
- 100% deductibility for all New Zealand bred yearling purchases
- Standard progeny valuation of \$2,500 for homebred foals
- Default pass-through GST treatment for breeding co-ownerships
- Expansion of FMCA small-scheme exemptions from 5 to 15 investors

These changes position New Zealand in a more competitive way against other markets (notably Australia, Ireland and the USA) and encourage reinvestment across breeding, ownership, and syndication.

### Why This Matters: Supply Chain Reconstruction

The industry is facing a supply shock (foal crops down more than 20% in the last decade) driven by rising breeding costs, tightening margins, and policy settings that have not fully adapted to the current economics of bloodstock investment.

These pressures have reduced the number of mares being bred, feeding directly into the Participation Loop of the negative flywheel: fewer foals mean fewer racehorses, smaller fields, weaker wagering product, reduced turnover, lower stakes, and continued exit from the system.

International evidence shows this trend can be reversed. France's premium system contributed to a 14% rise in foal crops between 2005 and 2023, while the worldwide foal crop fell 38% over the same period. Ireland's investment-aligned tax environment has helped sustain one of the strongest and most competitive breeding bases globally, and in the United States the introduction of 100% bonus depreciation on bloodstock purchases coincided with the 2025 Keeneland September Sale reaching US\$531.5 million — the highest gross ever recorded at a thoroughbred auction.

These examples show that when policy settings support breeding, supply responds and the longer-term wagering product is protected.

### Proposed Reforms

*Full details of the proposed reforms are included in Appendix C*

Reform	Summary
Accelerated Depreciation for Broodmares	Amend the Income Tax Act to reduce the broodmare write-down period from 6-7 years to 4-5 years, aligning with high-priced livestock treatment. In addition, introduce a 100% immediate write-down for qualifying broodmares (purchase price above \$200,000, aged four years or older, domiciled in New Zealand for at least nine months per year).
Immediate Write-Down for Yearlings	Extend accelerated depreciation to all New Zealand bred yearlings purchased at a New Zealand yearling sale, with immediate 100% write-down provided racing and/or breeding intent is established, and appropriate safeguards introduced (resale within 12 months triggers clawback).
Standard Progeny Value of \$2,500	Specify a standard value of \$2,500 for homebred foals, replacing the current cost basis. This defers taxation until real income is generated on sale, simplifies compliance, and aligns with Australia (which uses a nominal A\$20 standard value).

<b>Reform</b>	<b>Summary</b>
Default Pass-Through GST Treatment	Amend the Goods and Services Tax Act 1985 to confirm pass-through GST treatment as the default position for racing and breeding co-ownerships, rather than requiring an active election. This preserves a 30-year industry practice that allows each co-owner to register individually and claim proportionate input-tax deductions, avoiding unnecessary compliance costs from centralised GST registration.
Expand FMCA Exemptions for Syndicates	Expand FMCA small-scheme exemptions (which limit the number of investors in a bloodstock syndicate before requiring full financial product disclosure) from five to 15 investors. This should be implemented during renewal of the Financial Markets Conduct (Equine Bloodstock) Exemption Notice 2021 before its November 2026 expiry. The current five-investor limit is outdated and fails to reflect modern stallion and broodmare syndicate structures where 10 to 15 investors are common.

### **Outcomes Delivered**

The recommended tax changes are not a "tax break"; they are a production incentive designed to restart the supply chain at the source. Together, they would:

- Modernise the outdated taxation and compliance settings
- Improve capital recovery and allow faster reinvestment cycles and stronger cash-flow for breeders
- Reduced entry barriers for new investors and broader participation through syndication, encouraging new investment in New Zealand's breeding industry
- Provide greater competitiveness against international jurisdictions (particularly Australia, Ireland and the US) and position New Zealand as an attractive location for high-quality bloodstock ownership and breeding

### **Why this works**

- International evidence is clear: when breeding settings are aligned with investment reality, supply responds
- France and Ireland have sustained or grown breeding bases through supportive settings
- The US introduced full expensing and saw record bloodstock investment
- These are production incentives, not subsidies

### **Why now**

- Foal crop decisions today determine supply 3–5 years ahead, which determines revenue and stakes
- Delay compounds downstream impacts and increases future intervention cost
- Several reforms align with existing policy review windows

## Recommendation 4

### Crown-Fund the Racing Integrity Board

Fund the Racing Integrity Board (RIB) through the Government budget process, consistent with the Sport Integrity Commission model, to establish clear independence of the RIB from those it oversees.

#### Why This Matters: Risk Transfer to the Crown

Racing's integrity and animal welfare oversight should be funded in the same way as drug-testing and match-fixing prevention in other sports – by the Crown – to guarantee impartiality.

Crown funding removes the conflict of interest inherent in a user-pays model and ensures that integrity decisions are driven solely by public interest rather than commercial pressure. With Government footing the bill, the Racing Integrity Board (RIB) cannot be pressured to cut corners to preserve stakes; insultation from any suggestion that animal welfare or integrity has been compromised by industry budget constraints.

The current user-pays model creates a conflict of interest that exposes the Government to welfare and integrity risk. The RIB budget is determined in consultation with the industry. In a declining revenue environment, the industry has a financial incentive to constrain integrity budgets to preserve stakes. This creates a structural vulnerability: the regulator's funding is influenced by those it oversees.

Crown funding is a risk-transfer mechanism to sustain the community's trust in racing. It aligns Racing with the Sport Integrity Commission model, removing any suggestion that animal welfare has been compromised for commercial reasons.

#### Outcomes Delivered

- Structural independence from the industry it regulates
- Consistent treatment with sport integrity oversight
- External accountability for funding levels and performance
- Removal of industry decision-making from integrity funding

# Recommendation 5

## Modernise TAB NZ's Legislative Settings

Amend the legislative settings that govern TAB NZ to enable competitive revenue diversification and future-proofed product innovation. These include areas such as online casinos and in-race betting. The settings would empower TAB NZ to introduce new bet types and products as technology and customer preferences evolve, without requiring repeated legislative amendments.

### Why This Matters

Going forward, TAB NZ must diversify its revenue to be able to sustain medium- and long-term funding to the New Zealand racing industry.

A key additional benefit is that it ensures that customers in New Zealand do not need to seek a black market should they want to consume such products. This is because product frictions drive black market activity where consumers cannot access products they want or expect. Unlicensed operators compete on enhanced product features and build awareness via social media and messaging platforms.

Modernised settings would enable TAB NZ to compete on a level playing field while protecting against offshore activity that undermines New Zealand's policy settings, and the harm minimisation settings enshrined in TAB NZ's statutory settings.

### Outcomes Delivered

- Revenue diversification to sustain medium and long-term industry funding
- Competitive parity with other New Zealand gambling operators
- Reduction in black market activity through regulated product availability
- Flexible response capability for technology and consumer evolution

## Appendix A

### Further Information to Support Recommendations and Initiatives

The Advisory Committee has already undertaken substantial background work to underpin the recommendations in this report.

This work to date has included developing indicative structural options, reviewing international benchmarks and precedents, and undertaking preliminary financial analysis to test the scale and impact of the proposals.

In addition, there has been a focus on the expected trajectory of the industry without the recommended interventions, and the underlying trends that are creating the fundamental issues which are preventing the industry from maximising the growth potential.

What is clear is that the status quo will not deliver for the industry. The Messara Report (2018) identified key focus areas for the industry to focus on to become a growth industry. The recommendations implemented have delivered “breathing space” for an industry described as being in a state of serious malaise at the time.

These recommendations coupled with the findings from the Advisory Committee support the recommendations and initiatives contained in this report. Without action, the outlook for key KPIs such as the foal crop, available distributions from TAB NZ, the cost base of the industry, and the resultant impact on total stakes for participants is cause for alarm.

For example:

#### Foal Crops

Foal crops are estimated to decrease by ~22% and ~44% respectively for thoroughbred and harness codes, resulting in an ~18% decrease in starter and race numbers for the thoroughbred code and ~32-34% decrease for the harness code.

	FY15	FY20	FY25	FY30f	FY35f	% change (FY25 vs FY15)	% change (FY35 vs FY25)
<b>Thoroughbreds</b>							
Foal crop	3,515	3,030	2,741	2,420	~2,200	-22%	-20%
Starter numbers	5,312	4,263	4,390	4,087	~3,600	-17%	-18%
Race numbers	2,848	1,916	2,468	2,283	~2,020	-13%	-18%
<b>Harness</b>							
Foal crop	1,963	1,566	1,095	985	~985	-44%	-10%
Starter numbers	3,180	2,709	2,400	1,755	~1,620	-25%	-32%
Race numbers	2,680	2,053	2,461	1,751	~1,620	-8%	-34%

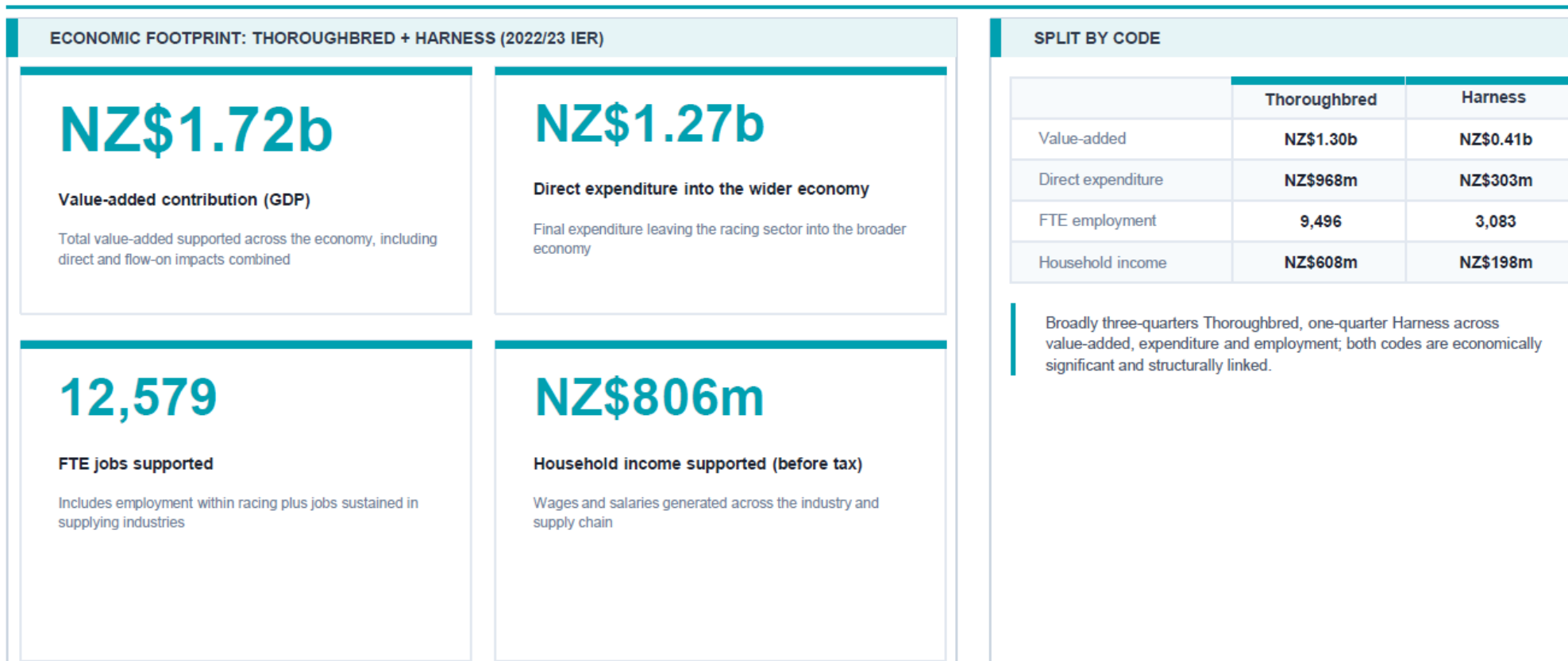
## Stakes

Maintaining current stake levels will mean ~\$130m of the industry's reserves (through TAB NZ and the codes) will be utilised to fund the deficit over the next decade's racing seasons. These reserves are earmarked for critical infrastructure upgrades. The alternative is to reduce prizemoney across the board, at a time when costs are rising.

STATUS QUO, NO CHANGE, USE RESERVES TO FUND OPERATING LOSSES	SHORT TERM CUT TO STAKES OF 19% TO CLEAR DEFICITS, THEN REBUILD	ACCEPT CHANGE, ESTABLISH CENTRAL CO, PURSUE THE SPT, RATIONALISE
<p style="text-align: center;"><b>\$157m</b> FY27 Stakes</p>	<p style="text-align: center;"><b>\$128m</b> FY27 Stakes</p>	<p style="text-align: center;"><b>\$157m</b> FY27 Stakes</p>
<p style="text-align: center;"><b>\$158m</b> FY35 Stakes</p>	<p style="text-align: center;"><b>\$159m</b> FY35 Stakes</p>	<p style="text-align: center;"><b>\$182m</b> FY35 Stakes</p>
<p style="text-align: center;"><b>(\$130m)</b> Reserves utilised (By FY35)</p>	<p style="text-align: center;"><b>Nil</b> Reserves utilised (By FY35)</p>	<p style="text-align: center;"><b>(\$62m)</b> Reserves utilised (By FY35)</p>
<p>Reserves decline from \$234m today to \$104m by FY35. No growth in participant returns, and minimal capacity to invest in infrastructure.</p>	<p>19% immediate cut required. \$130m less to participants vs status quo, and \$216m less than under Central Co strategy - materially undermining participation. Reserves preserved at cost of industry decline.</p>	<p><b>Protects short-term participant returns, whilst enabling growth. Utilisation of reserves still required (approx. \$62m), however a collective \$86m more returned to participants vs status quo.</b></p>

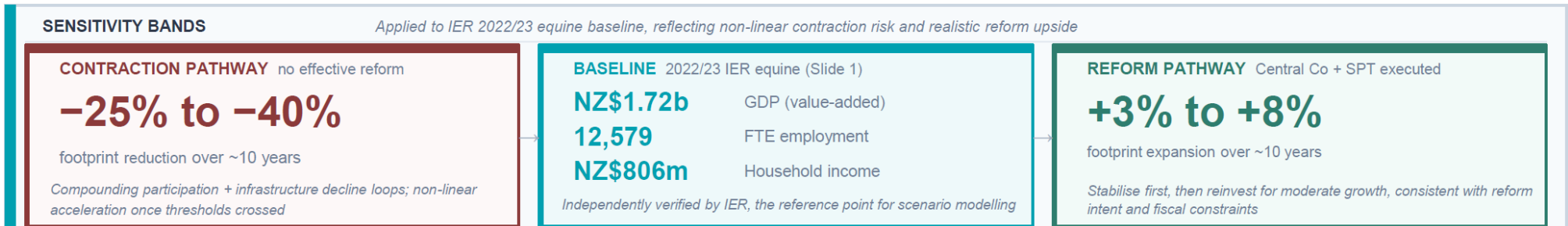
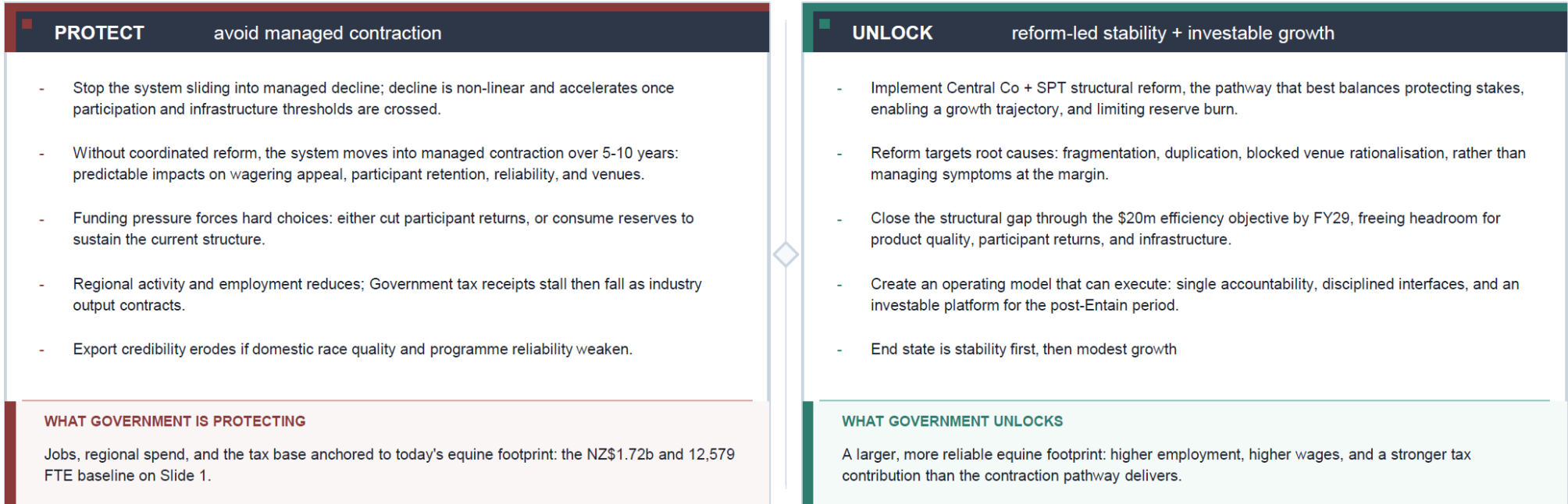
## Economic Contribution

Thoroughbred and harness racing supports NZ\$1.72b of value-added (GDP) and 12,579 jobs across New Zealand: A substantial national economic risk without structural reform<sup>1</sup>.



<sup>1</sup> IER, Size and Scope of the New Zealand Racing Industry (2022/23). Figures shown are thoroughbred + harness only, greyhounds excluded.

Two possible pathways from today's baseline<sup>2</sup>:



<sup>2</sup> All figures are anchored to IER's 2022/23 "Size & Scope" baseline and exclude greyhounds (thoroughbred + harness only)

What is at stake? If reform stalls and the horse racing footprint contracts, the economic loss is large. The figures below are illustrative and annualised, for the thoroughbred and harness codes only:

HOW TO READ THIS	
WHAT'S INCLUDED	SCENARIO RANGE
- Thoroughbred + Harness only (greyhounds excluded)	- Material contraction: -25%
- IER 2022/23 Key Findings as the baseline footprint	- Severe contraction: -40%
	- Simple proportional reduction from baseline

**ANNUAL ECONOMIC LOSS AT RISK**

\$0.43b to \$0.69b

GDP (value-added) at risk each year

METRIC (horse racing only) <i>Thoroughbred + Harness</i>	2022/23 BASELINE <i>IER verified</i>	-25% CASE <i>material contraction</i>	-40% CASE <i>severe contraction</i>	ANNUAL LOSS VS BASELINE <i>at-risk range</i>
<b>Value-added (GDP contribution)</b>	<b>\$1,717m</b>	<b>\$1,288m</b>	<b>\$1,030m</b>	<b>\$429m to \$687m</b>
FTE jobs sustained	12,579	9,434	7,547	<b>3,145 to 5,032 FTE</b>
Household income (wages, pre-tax)	\$806m	\$605m	\$484m	<b>\$202m to \$322m</b>
Direct expenditure into the wider economy	\$1,272m	\$954m	\$763m	<b>\$318m to \$509m</b>

Baseline source (IER 2022/23): Thoroughbred + Harness components from Key Findings tables.

Source: IER Pty Ltd, Size and Scope of the New Zealand Racing Industry (2022/23). Excludes greyhounds. Scenario figures are illustrative (simple proportional reduction from IER baseline) to frame the scale of what Government is protecting.

## Appendix B

### Further Information to support the unification of Racing Governance (Recommendation One)

Appendix B highlights at a high-level the impacts of the status quo on the future of the horse racing industry. If it is accepted that the status quo is not an option then unifying the racing governance and administrative functions of the industry will reduce costs, improve decision making, streamline functions, deliver efficiencies at scale, and coordinate planning and operations.

**Costs:** An ambitious yet achievable saving from a unified model is \$20 million per annum by the time the Entain minimum guarantee period expires, comprising:

- \$9 - \$14m through Club network rationalisation
- \$3.3 - \$5m through consolidation of administration functions (including head count)
- \$1 - \$1.5m through refocused industry wide marketing
- \$1m through governance and administrative synergies

**Governance and decision-making:** Whilst specific to the thoroughbred code, the Messara Report (2018)<sup>3</sup> called out that the current governance structure and regulatory hierarchy do not lend themselves to the necessary level of code accountability or to sound decision-making and this can lead to unnecessary Government involvement in the industry. Since the release of this report changes have been made to TAB NZ, due to the partnership with Entain, and the Racing Integrity Board – however the governance and decision-making functions of NZTR and HRNZ remain an issue despite the Messara Report findings still ringing true.

Putting a specific dollar amount on the cost is difficult. Simplistically, the cost of maintaining different Boards (e.g. administration costs, travel, stipends etc.) can be calculated – however the total cost to the equine industry through inaction from multiple fragmented decision-making bodies is clearly significant.

**Streamlined functions:** Maintaining the status quo see duplicated functions (e.g. Finance, HR, legal, procurement) across codes and clubs. A number of these functions are code agnostic. Streamlining these functions would remove duplication and create efficiencies through consistent expertise and economies of scale.

The Advisory Committee, through collaboration with NZTR, HRNZ, TAB NZ, and consultants, have identified 122 functions across the racing ecosystem and assessed that 92 (75%) were identified as consolidation candidates. Over half of these were identified as being suitable for consolidation immediately, if a decision was made to unify the racing governance and administrative functions.

**Co-ordinated planning and operations:** The system is currently set up to operate in silos. On the administration side, both codes are running their own systems for racing services (e.g. stud book, registration, licensing etc.). Within the individual codes there are silos between regions and venues, which prevents “big picture” planning for consolidation, upgrades, and maintenance of venues.

Venues are needing to sell land to fund maintenance, upgrades, and for operational expenditure, which does not maximise the value of assets which are then lost to the industry for good. A combined national plan across both codes would see urgent upgrades funded immediately without needing to sell off assets which could be retained as revenue earning assets for future generations.

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<sup>3</sup> [Messara Report 2018](#)

# Appendix C: DETAILED REFORM PACKAGE PROPOSAL

## Bloodstock Tax and Regulatory Reform

### Proposed Reforms

The table below provides a high-level summary of each of the proposed reforms outlined in the body of the document. On the following pages, the full detail of each reform area is provided for further information.

Reform	Summary
Accelerated Depreciation for Broodmares	Amend the Income Tax Act to reduce the broodmare write-down period from 6-7 years to 4-5 years, aligning with high-priced livestock treatment. In addition, introduce a 100% immediate write-down for qualifying broodmares (purchase price above \$200,000, aged four years or older, domiciled in New Zealand for at least nine months per year).
Immediate Write-Down for Yearlings	Extend accelerated depreciation to all New Zealand bred yearlings purchased at a New Zealand yearling sale, with immediate 100% write-down provided racing and/or breeding intent is established, and appropriate safeguards introduced (resale within 12 months triggers clawback).
Standard Progeny Value of \$2,500	Specify a standard value of \$2,500 for homebred foals, replacing the current cost basis. This defers taxation until real income is generated on sale, simplifies compliance, and aligns with Australia (which uses a nominal A\$20 standard value).
Default Pass-Through GST Treatment	Amend the Goods and Services Tax Act 1985 to confirm pass-through GST treatment as the default position for racing and breeding co-ownerships, rather than requiring an active election. This preserves a 30-year industry practice that allows each co-owner to register individually and claim proportionate input-tax deductions, avoiding unnecessary compliance costs from centralised GST registration.
Expand FMCA Exemptions for Syndicates	Expand FMCA small-scheme exemptions (which limit the number of investors in a bloodstock syndicate before requiring full financial product disclosure) from five to 15 investors. This should be implemented during renewal of the Financial Markets Conduct (Equine Bloodstock) Exemption Notice 2021 before its November 2026 expiry. The current five-investor limit is outdated and fails to reflect modern stallion and broodmare syndicate structures where 10 to 15 investors are common.

## Reform 1: Accelerated Depreciation for Broodmares

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The Committee recommends amending the Income Tax Act 2007 (ITA) so that fillies and broodmares are written down over a four- to five-year period from age two (rather than six to seven years), with an additional measure to allow for a 100% immediate write-down for qualifying high-value broodmares.

### Background

Under existing provisions (sections EC 41(4) and EC 42(1) ITA), fillies and broodmares are written down over six to seven accounting years, commencing from age two, depending on whether the 25% loading for bloodstock not previously used for breeding in New Zealand applies.

This compares unfavourably with the high-priced livestock rules in sections EC 32–EC 37 ITA, which allow specified livestock valued at five times the national average to be written down over a four- to five-year period. For example, IRD determinations specify 25% straight-line per year for sheep and 20% for cattle and stags.

In 2025, the United States introduced a 100% immediate write-down scheme for breeding stock, which has stimulated significant investment in bloodstock and accelerated capital flows into breeding operations.

### Rationale and Outcomes Delivered

- **Improved capital recovery and investment settings:** Shorter write-off periods lift cash flow for breeders, make it easier to recover capital and allow faster reinvestment into higher-quality mares. This lowers the barrier for new investors and strengthens the pipeline of future broodmare purchases.
- **Strengthens the national broodmare herd:** Better depreciation settings reduce the real cost of upgrading the broodmare pool. This raises the standard of mares kept and bred in New Zealand and supports the long-term development of a more sustainable, higher-value national herd.
- **Provides incentive to retain high-quality mares in New Zealand:** More competitive rules give breeders a reason to keep mares in New Zealand rather than moving them offshore. At the same time, improved capital treatment makes the market more attractive to domestic and international investors.
- **Lifts New Zealand's competitiveness internationally:** Aligning with global practice, including jurisdictions that use accelerated depreciation, helps level the playing field and positions New Zealand as a more appealing place to invest in broodmares.

### **Changes Required**

Amend sections EC 41(4) and EC 42 ITA to:

- Reduce the write-down period from six to seven years to four to five years, commencing at age two
- Retain the 25% loading for mares not previously bred in New Zealand
- Adjust section EC 41(5) and EC 42(3) references to ensure full write-down by age seven

In addition, introduce a 100% immediate write-down for qualifying broodmares, with safeguards including:

- Purchase price above NZ\$200,000
- Acquired via a recognised bloodstock sale (physical or online) or privately, provided two independent certified valuations are obtained
- Mares aged 4 years or older
- Applicable only to broodmare propositions (not racing stock)
- Mare must be domiciled in New Zealand for at least nine months per year, verified through import/export certification

## Reform 2: Immediate Write-Down for Yearlings

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The Committee proposes extending accelerated depreciation settings to New Zealand bred yearlings, providing an immediate 100% write-down where clear racing and/or breeding intent is established. This complements the broodmare depreciation reforms (Reform 1) and aligns capital-recovery pathways across the full breeding lifecycle.

### Background

Yearling purchases are the initial capital outlay in a racing and/or breeding operation. High-quality fillies retained as future broodmares and colts intended for eventual stud duties represent long-term breeding investments rather than trading stock. Current tax settings do not distinguish between yearlings purchased for resale and those purchased with the intent of racing and/or breeding, despite the materially different commercial intent.

### Rationale and Outcomes Delivered

- **A consistent capital-recovery path across the breeding cycle:** A full deduction for yearling purchases lines up with broodmare treatment and mirrors international practice such as US expensing rules. It recognises that acquiring yearlings is the first capital step in the breeding cycle and creates a clear, consistent path for recovering investment across the whole lifecycle.
- **Stronger domestic breeding depth:** Improved treatment of yearlings helps keep better fillies and colts in New Zealand. This supports a deeper mare and stallion base over time and strengthens the country's long-term breeding capacity.
- **Greater competitiveness and investment appeal:** More favourable settings make New Zealand yearling sales more attractive for local and offshore investors. This lifts demand, improves the relative appeal of buying and racing in New Zealand and reinforces the country's position against other international breeding markets.

### Changes Required

Introduce a 100% immediate write-down for qualifying yearlings, with safeguards including:

- New Zealand bred yearlings acquired for racing and/or breeding, not resale or pinhooking
- Purchased at a recognised New Zealand yearling sale
- Yearling must remain in New Zealand for at least nine months per year (aligned with broodmare rule)
- Resale within 12 months triggers clawback

Where full write-down criteria are not met, standard accelerated depreciation (four to five years) applies.

### Reform 3: Standard Progeny Value of \$2,500

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The Committee proposes that homebred foals be valued for income-tax purposes at a fixed standard value of NZ \$2,500 at foaling, replacing the current “cost” basis in section EC 44 ITA.

#### Background

Currently, foals are valued at “cost,” reversing out deductions for inputs such as: Stallion service fees, the year’s broodmare write-down, and foaling, weaning, and veterinary expenses.

The result is that breeders are taxed on unrealisable paper gains before income is received. IRD’s QB 21/09 (October 2021) confirms this cost-based treatment, with a de minimis \$500 threshold for internal costs.

Australia instead uses a nominal standard value of A\$20 per foal, allowing deductions for all other costs when incurred and taxing income only at sale.

#### Rationale and Outcomes Delivered

- **Clearer, simpler tax treatment:** A more streamlined approach reduces compliance work, lowers administrative cost and removes unnecessary complexity in how progeny are accounted for. It gives breeders a straightforward system that is easier to manage year to year.
- **Better cash-flow timing without changing the final tax outcome:** Income is taxed only when an actual sale occurs, and deductions are taken earlier in the cycle. This improves cash flow and supports day-to-day operations while keeping the overall tax result neutral.
- **Alignment with key international settings:** Bringing New Zealand’s rules closer to Australia and other major breeding jurisdictions improves consistency and removes cross-border friction. It supports a more competitive and predictable operating environment for breeders.

#### Changes Required

Amend section EC 44 ITA to specify a standard value of NZ \$2,500 for homebred foals retained for racing or breeding purposes, rather than the current “cost” requirement.

## Reform 4: Default Pass Through GST Treatment

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The Committee supports the inclusion of reforms to clarify GST treatment of unincorporated joint ventures (UJVs) in the Government's current tax-policy work programme. It specifically recommends that pass-through GST treatment be adopted as the default position for racing and breeding co-ownerships, rather than requiring an active election.

### Background

For over 30 years, industry practice has treated each co-owner of racing and breeding bloodstock as holding a direct proportional interest for GST purposes. This long-established "pass-through" model allows each participant to:

- register for GST individually (if carrying on a taxable activity);
- claim their proportionate input-tax deductions; and
- account for output tax on their share when the bloodstock is sold.

The IRD Tax Counsel Office's draft ruling PUB00356 proposed that GST registration and activity tests should instead be determined at the central entity level, effectively removing the pass-through model. While this issue is now recognised in the tax-policy work programme, the Committee's strong view is that any legislative reform should preserve and confirm pass-through treatment as the default, consistent with established industry practice.

### Rationale and Outcomes Delivered

- **Keeps a proven, low-cost system in place:** The current pass-through model has worked well for decades. Keeping it as the default avoids new compliance obligations and removes the need for centralised GST registration, which would add cost without improving outcomes.
- **Maintains flexibility for breeders and investors:** Preserving the familiar structure supports broad participation and ongoing reinvestment. It allows co-ownerships to operate in a way that is simple, predictable and well understood across the industry.
- **Aligns with Australian practice and improves consistency:** Confirming pass-through treatment brings New Zealand into line with the Australian Tax Office approach for racing and breeding co-ownerships. This strengthens cross-border consistency and supports a more efficient, competitive environment for investors.

### Changes Required

Amend the Goods and Services Tax Act 1985 to:

- Confirm pass-through GST treatment as the default position for qualifying co-ownerships and unincorporated joint ventures involving breeding or racing bloodstock
- Allow participants to opt out by electing centralised GST registration where this is administratively preferable
- Specify that each co-owner may independently register, claim input tax, and account for output tax in proportion to their interest
- Clarify that the "financial services" definition — including references to participatory securities and contributory schemes — does not override this pass-through treatment

## Reform 5: Expand FMCA Exemptions for Syndicates

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The Committee recommends expanding FMCA exemptions to allow co-investment in bloodstock by up to 15 investors (currently limited to five), to be implemented during the renewal of the Financial Markets Conduct (Equine Bloodstock) Exemption Notice 2021.

We also propose that the FMA conduct a periodic review of the investor-number threshold to ensure it remains fit-for-purpose given rising bloodstock prices and the growth of syndicated ownership models.

### Background

Under the Financial Markets Conduct Act 2013, small-scheme exemptions (Schedule 1, section 16) apply only to managed investment schemes with five or fewer investors.

The Equine Bloodstock Exemption Notice 2021 provides tailored relief for certain bloodstock offerings but expires 30 November 2026.

The five-investor limit is outdated and fails to reflect the structure of modern stallion and broodmare syndicates, where 10–15 investors is common. Costs for high-quality breeding stock continue to rise globally, and the syndication model is expanding as an essential mechanism to maintain participation.

### Rationale and Outcomes Delivered

- **Wider access and stronger participation:** Raising the exemption threshold allows more people to take part in syndicates and spreads risk across a broader group. It supports syndication as a practical entry point for new owners and helps lift participation across the breeding and racing pipeline.
- **A balanced and predictable regulatory setting:** The approach keeps investor protections in place while avoiding heavy or complex regulation. It also provides clarity ahead of the current exemption's expiry, giving syndicators and investors a stable environment to plan within.
- **A structure that can scale with a changing industry:** A periodic review keeps the threshold aligned with rising bloodstock values and shifts in the syndication model. This creates a more modern and adaptable framework that can support growth as the industry evolves.

### Changes Required

- Amend Schedule 1, section 16 FMCA to expand the small-scheme threshold from five to 15 investors for equine bloodstock co-investment
- Renew and update the Financial Markets Conduct (Equine Bloodstock) Exemption Notice 2021 accordingly
- Amend section 3 of the GST Act to align the “financial services” definition with FMCA’s managed investment scheme terminology and include the revised 15-investor standard
- Include a statutory requirement (or FMA directive within the Exemption Notice) for a periodic review—every three years—to assess whether the 15-investor cap remains appropriate based on prevailing market conditions and taking into account: increases in the price of high-quality bloodstock, changes in typical syndicate structures, international regulatory settings and any investor-protection issues observed by the FMA

**NEW ZEALAND RACING INDUSTRY REFORM  
A STRATEGIC IMPERATIVE FOR A SUSTAINABLE  
FUTURE**

**RECOMMENDATIONS TO MINISTER FOR RACING  
AND THE HORSE RACING INDUSTRY**

**TAB NEW ZEALAND RACING ADVISORY COMMITTEE**

JUNE 2026

**EXECUTIVE SUMMARY**

**RECOMMENDATIONS TO UNLOCK RACING INDUSTRY GROWTH**

The TAB New Zealand Racing Advisory Committee agrees with the Minister for Racing, Rt. Hon. Winston Peters, that the domestic racing industry has meaningful growth potential and the capacity to increase its contribution to the New Zealand economy. However, the Committee's assessment is that the industry's current operating model is unlikely to realise that potential without structural change.

The Committee's work has focused on establishing a clear and shared fact base across horse supply, funding flows, infrastructure, and governance. This has included detailed analysis supported by TAB NZ management and external advisors, engagement with New Zealand Thoroughbred Racing (NZTR) and Harness Racing New Zealand (HRNZ), and benchmarking against international racing jurisdictions that have successfully addressed similar challenges.

The industry's governance structures are driving operational inefficiency, a lack of accountability, and money invested at the administrative level instead of focused investment to grow industry outcomes.

If the system stays as it is, the compounding loops (the "negative flywheel") of fewer horses, weaker product, a bloated cost base and unreliable venues will see the industry slip back toward its pre-2023 decline. Any efforts to work around these issues have been tried for decades and have not changed the trajectory.

Consolidating governance, unlocking assets, stabilising supply, and lifting efficiency are now essential. Incremental steps will not hold the line; a coordinated reset is required now to avoid a material fall in funding, participation and export strength after the 2027/28 season when the industry's guaranteed funding period comes to an end.

**The Committee's five recommendations will enable a right-sized and efficient industry that delivers both sustainability and a platform for growth through self-funding investments.**

**The Committee recommends:**

**1. Unified Governance** – a single entity responsible for industry strategy, funding, calendar and marketing. This will maximise returns to participants by improving efficiency and accountability across the industry's administrative bodies. Each sport – thoroughbred racing and harness racing – will retain their individual identities but the removal of duplicated administrative functions will enable savings that can be reinvested in the foundations of the industry.

**2. Strategic Property Vehicle** – a centralised property vehicle to rationalise venues, unlock capital, and direct investment to priority infrastructure. This would create over \$700million of capital; mission locked for the benefit of training and racing infrastructure.

**3. Tax Changes to stimulate domestic breeding and ownership** – a series of tax changes are recommended to enable deeper investment and re-investment into breeding. Stimulating the domestic foal crop will enhance our export opportunities while at the same time supporting the domestic racing product.

**4. Crown-funded integrity** – the transfer of Racing Integrity Board funding to the Crown to remove inherent conflicts with the current regime and improve efficiency. This will also see the racing industry's integrity function treated consistently with the sporting sector and enable better efficiency across New Zealand's sporting integrity landscape.

**5. TAB NZ Modernisation** – as the industry's annual funding is almost solely reliant on TAB NZ (and Entain) performance, it is critical betting and gaming provisions keep up with technological change and enable revenue diversification to support longer-term funding needs. This includes access to emerging markets such as online casinos, in-race betting and novelty betting.

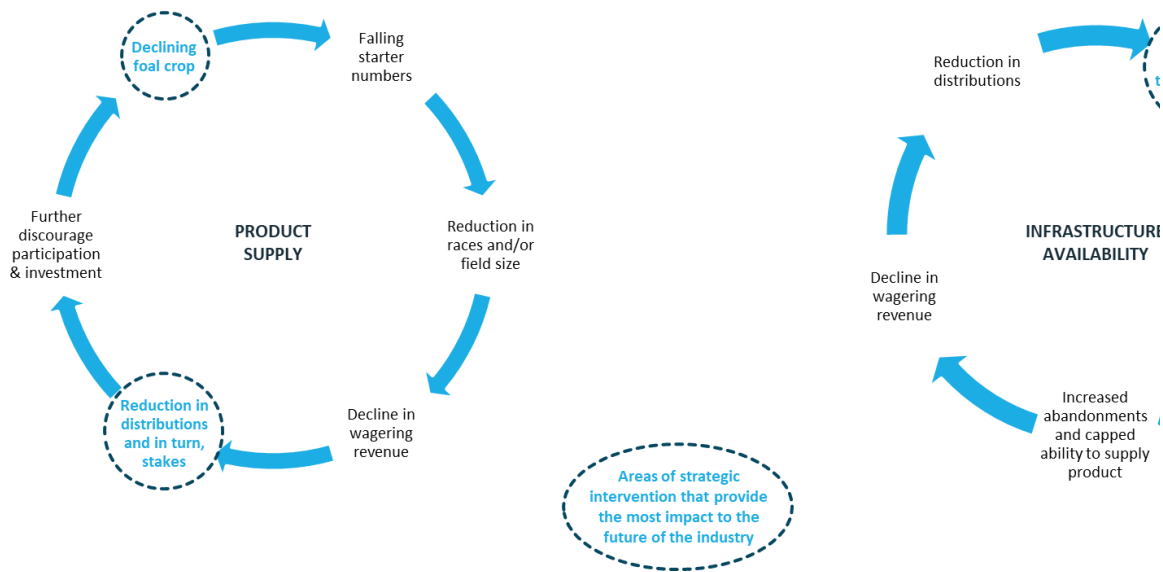
## BACKGROUND

TAB New Zealand's five-year funding guarantee has provided the platform for a much-needed stakes boost, however the industry is trapped in two reinforcing loops of decay that money alone cannot break: fewer horses reduce revenue and investment, while under-invested infrastructure erodes reliability, pushing revenue lower again.

With no meaningful progress on the broader strategic issues within the industry itself – the negative flywheel effect can be seen clearly:

- **More than 500 thoroughbred breeders have been lost since 2015**, and the thoroughbred foal crop is down 10% since 2020, and down 22% in the last 10 years – starter numbers projected to fall by 18% by 2035.
- **Standardbred foal crop is down 30% since 2020**, and down 44% in the last 10 years – starter numbers projected to fall by 32% by 2035. We note that Harness Racing New Zealand's recent incentives has seen more mares covered in the 2025 breeding season than the 2024 season (+6%), however the coverings remain historically low.
- **TAB NZ funding from its wagering partner is forecast to remain below the minimum guaranteed level for the entire period of the guarantee** – without urgent intervention now, this implies distributions to industry would need to decline in FY29.
- The **cost base within NZTR and HRNZ has increased by \$13m since 2023** and is forecast to increase a further \$6.7m in 2026 – most of which is focussed on additional club funding, perpetuating the inefficient club and venue network that already exists today.
- The **industry administration cost base now totals \$91m pa**, representing 58% of the total amount returned via stakes & bonuses to participants – well above benchmarks in Australia that imply up to \$25m could be removed from administrative operating costs in NZ.
- **Up to \$700m of capital is sitting across fragmented ownership of industry assets** – there is no funding plan for infrastructure upgrades and recent projects have resulted in significant wastage of the industry's capital.
- New Zealand's thoroughbred **black type pattern is teetering on the edge**, with Group 1 ratings only being met on 4 occasions in 4 years across more than 75 Group 1 races in that period – further black type downgrades, coupled with the decline in the foal crop, could place the \$130m+ breeding export market at risk.

**Collectively, the industry financial situation is unsustainable with a structural deficit of more than \$50 million per annum.** On current estimates and without further support funding from TAB NZ reserves, both NZTR and HRNZ will have exhausted their own reserves by the end of the 2027/28 racing season.



### Advisory Committee conclusion

Through its review and following direct engagement with TAB NZ, NZTR, HRNZ and certain racing clubs, the Advisory Committee has formed a clear view that the industry must alter its settings to change its trajectory. The same structural barriers that have stalled past reforms – fragmented governance, club property rights, duplicated administration and misaligned incentives – are still blocking progress.

Without reform, the industry currently faces a combined deficit exceeding \$50 million per annum (between 2026 and 2028). Following greyhound closure, the medium-term structural deficit will reduce but continue at approximately \$20 million per annum alongside significant risks.

### THE UNSTABLE FOUNDATION OF THE STATUS QUO

New Zealand racing is held back by several structural faults that interact, compound, and ultimately render the status quo unsustainable. These problems – outlined in the table following – are fundamentally interlinked. Left unaddressed, they continue to compound, creating a system that cannot sustain itself in the long term.

Problem Name	Key Symptoms	Interconnected Impact
Shrinking Horse Supply	Declining foal crop; smaller field sizes, fewer races.	Undermines the core racing product, reducing betting appeal and revenue generation.
Excessive Venue Footprint	Many underutilised tracks; inefficient maintenance costs; deteriorating surfaces and amenities; weather-related abandonments.	Spreads investment too thin, leading to under-invested facilities and financial fragility. Erodes participant confidence and wagering revenue; makes brand renewal difficult.

Fragmented Governance and Weak Accountability	Muddled decision-making; no single authority.	Blocks industry-wide initiatives (e.g., calendar optimisation, marketing) and allows strategic issues to go unaddressed for years without consequence.
Community vs. Sustainability Tension	Strong local resistance to track closures.	Prevents venue rationalisation and asset optimisation; perpetuating costs and inefficiencies.
Financial Fragility	Clubs operate at a loss; dependence on central funding and/or bailouts.	Limits investment in facilities, stakes, and marketing; worsens all issues.
Duplicated Functions, Manual Processes and Cost Inefficiency	Separate admin teams for each code; ageing and manual core IT systems across each code.	Wastes resources that should be redirected to core growth initiatives.
Ageing Participants and Audience	Core fan base is older; weak youth engagement; ownership and breeder base is ageing; attracting younger trainers / staff is a challenge.	Limits future supply of racing product (breeders and racing owners), erodes future betting turnover, sponsorship value, and public support.

## THE BARRIERS TO PROGRESS ARE STRUCTURAL

These core problems persist because a small set of structural barriers have repeatedly blocked execution.

Barrier	Key structural issues
Fragmented Governance and Decision Rights	A multi-layered structure with no single point of leadership creates a collective action problem. Codes and autonomous club committees can veto industry-wide moves to protect uneconomic tradition or avoid inconvenience. With no central mandate to align calendar, funding and infrastructure, coherent strategy is near-impossible. Each entity pursues local priorities. Further, with no clear and direct accountability, all layers within the structure can “finger point” and blame others as reasons to prevent progress.
Club Property Rights Blocking Venue Reform	Individual club ownership and control of racecourse land block rationalisation. Unlocking latent value for reinvestment requires a mechanism to pool, align or override those rights; without it, network optimisation will remain stalled.
Duplicated Administrative Functions	Parallel code and club structures (finance, marketing, IT, HR) create a bloated cost base and slow delivery. Ageing systems and manual processes persist, denying scale. Cultural resistance to shared services protects autonomy and headcount, denying economies of scale and diverting millions from frontline activity (stakes, fan development). Without a governance model that enables centralisation where it makes sense, obvious efficiencies remain unrealised.
Misaligned Incentives for	The current settings reward local optimisation and penalise system-wide outcomes. If a club gives up a race date to improve the national calendar, it loses

Collaboration and Delivery	revenue and relevance with no compensating benefit. Compensation is not necessarily required, but we are highlighting this as an example (that occurs regularly) of how the industry funding structure deters cross-code collaboration and resource sharing; well-intentioned reforms repeatedly fail to gain traction because no entity has a short-term reason to sacrifice for the greater good.
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## THE OPPORTUNITY THAT REFORM CAN DELIVER

The structural changes we recommend will convert today’s position into a self-funding flywheel — higher wagering, stronger tax take, and more regional jobs, compounding year on year. By acting now and breaking from decades of inertia, racing can become a modern commercial asset that pays its way, strengthens communities, and restores national pride in the sport for generations to come.

For Government, the additional economic impact can be significant. Based on the 2024 Size & Scope Report, we estimate a hypothetical additional 500 thoroughbred broodmares in the ecosystem by 2030 could drive an uplift in annual economic value of more than NZ\$50m by the time the ongoing benefit to the training and racing sectors are incorporated.

By acting now, the following can be achieved before the end of the 2027/28 guaranteed funding window:

- **Material administrative and operational cost savings achieved** – target of ~\$15m per annum to provide greater relative return to participants
- **Stabilisation of foal crop trends**, particularly in thoroughbreds, to provide greater racing product in 5-10 years and ensuring ongoing yearling market export values
- Realisation of **surplus industry capital to allow targeted and prioritised infrastructure investment** in core revenue generating areas and venues
- **Revamped racing calendar and black type pattern to maximise wagering** return from the industry’s product and protect the value of domestic pedigrees on the international stage

## THE RECOMMENDATIONS

The Committee’s recommendations are tools to break a mechanical cycle of decline that is currently consuming the industry’s equity. They are tools to enable the industry to fix its own problems.

Accordingly, the Committee proposes five interlocking reforms:

1	Unify racing governance under a single accountable body with clear responsibility for strategy, funding, calendar and marketing.
2	Create a Strategic Property Vehicle to unlock and deploy racing industry capital across a rationalised venue network.
3	Modernise tax and regulatory settings for breeding investment to address the foal-crop shock and rebuild supply.
4	Transfer Racing Integrity Board funding to central Government appropriation to remove conflicts of interest, protect social licence and provide consistency with the sporting sector.
5	Modernise TAB NZ’s legislative settings for revenue diversification so it can compete fairly, recapture offshore leakage and sustain funding beyond the Entain guarantee.

These reforms, taken together, will break the negative cycles of decline and set the industry on a path to sustainable growth. They will avert decline and ensure a heritage industry remains a

high-value export sector that contributes meaningfully to regional economies, employment, and New Zealand's international reputation in thoroughbred and harness breeding.

In addition, thoroughbred and harness racing supports NZ\$1.72b of value-added contribution to New Zealand's GDP, and 12,579 jobs within racing plus jobs sustained in supplying industries.

**Appendix A** expands on the economic risk without structural reform.

# Recommendation 1

## Unify Racing Governance Under a Single Accountable Body

Establish a single governing body with clear accountability for industry strategy, funding allocation, calendar and programming, and marketing. An appointed "Establishment Board" would develop the detailed design and transition plan for this unified body.

In the longer term, constitutional and statutory changes to the Racing Industry Act will be required to establish a statutory governing body and embed this unified model.

### Why This Matters: Ending the Veto Culture

This is not a new finding. The 2018 Messara Report concluded that racing's multi-layered governance structure was unsustainable and called for unified leadership.

International experience supports this. Ireland's unified authority (Horse Racing Ireland) now directs all racing funds and strategy under a single legislated mandate, which eliminated internal veto points and revitalised their industry – with economic impact growing 34% from 2016 to 2022. New Zealand must adopt a similar model.

Unfortunately, since the Messara Report it has been demonstrated that cooperation cannot be incentivised, it must be legislated. The current governance structure disperses decision-making across TAB NZ, NZTR, HRNZ, and Racing NZ, creating a "Veto Culture" that has paralysed reform for 30 years. Existing entities are legally bound to serve their narrow constituencies rather than the national interest. This creates four critical problems:

- **Veto points:** Codes and autonomous club committees can block industry-wide initiatives to protect local traditions or convenience
- **Structurally mandated waste:** Legislation requires separate bodies, driving significant duplication of costs (\$91m in administration against \$156m in stakes)
- **Misaligned incentives:** Local optimisation defeats system-wide performance
- **No accountability:** When performance declines, finger-pointing replaces action

### Accountability of the proposed single governing body

The new entity in New Zealand must have statutory power to direct the industry, not just coordinate it. The body should ultimately be accountable for:

- strategy and funding of racing industry activity (with funding passed through by TAB NZ);
- racing calendar, programming and scheduling; and
- the marketing and promotion of the New Zealand racing industry (breeding to racing).

### Future status of NZTR and HRNZ

The code entities will be consumed by the new single governing body entity and will have their core functions delivered by the new body. These functions include welfare, licensing, handicapping, racing rules and operational delivery of the calendar – consistent with a strategy and budget approved by the Board and the commercial arm of the over-arching body.

### Outcomes Delivered

- Directors of new unified body appointed through Government
- A single point of accountability for industry performance and long-term health
- Elimination of duplicated administrative functions
- Funding decisions aligned with industry-wide strategic priorities

- Maintenance of individual code identity remains

## Recommendation 2

### Establish a Strategic Racing Property Vehicle

Support a centralised Racing Property Vehicle that pools racing venues and related assets under professional governance, with clubs recognised as unit / equity holders according to their equity contributions.

The centralised vehicle would then pursue an investment strategy that is set out and agreed with the Board / Management of the new single governing body – based on a coordinated plan from the unified industry strategy.

### Why This Matters: Preventing Capital Destruction

Without a centralised property vehicle and a single accountable body driving the industry, it is likely that the industry's \$700m asset inheritance will be misused on – and depleted by – uncoordinated projects and piecemeal strategic planning. Fragmented capital leads to deferred maintenance, deteriorating surfaces, race abandonments, punter confidence erosion, wagering decline, and even less capital for maintenance.

A Strategic Racing Property Vehicle would break that loop. All racetracks and training centres would be vested in a single entity, managed by a professional board. Individual clubs would exchange their land ownership for equity units in the SPV, so they retain a financial stake (and likely their club identity) but no longer control the assets directly. The SPV would then allocate capital based on strategic merit – investing in yield-generating assets such as all-weather tracks, night-racing facilities, and training centres near horse populations – while clubs focus on running race meetings and hospitality as “tenants” rather than landlords. Under-utilised or surplus land could be repurposed or sold, with proceeds reinvested into priority infrastructure – an outcome which has been successful at a localised level through Auckland Thoroughbred Racing.

Importantly, the Vehicle does not require compulsory transfer of club assets. Clubs would retain the choice over whether and when to vest their property into the Vehicle. However, access to future industry infrastructure funding from industry revenue needs to be made conditional on participation in the Strategic Property Vehicle.

In practice, this means:

- Clubs that elect to transfer their racecourse or training assets into the Vehicle receive equity units and become eligible for Vehicle-funded capital upgrades and maintenance.
- Clubs that choose not to participate can continue to operate independently but will not be eligible for industry-sourced infrastructure funding or Vehicle-backed capital projects.
- Over time, this creates a strong but voluntary incentive to join – industry capital is channelled only into assets that sit within the unified, professionally-governed network, ensuring that scarce funding is not spent propping up non-participating or low-priority venues.

This design preserves club autonomy while using funding settings – rather than compulsion – to align investment decisions with the industry-wide venue strategy. However, for completeness, it is noted that the intention of the Racing Industry Act's surplus venue provisions should continue for venues which are not required for racing.

### Outcomes Delivered

- Historical club investment protected and recognised through equitable ownership stakes
- Capital directed to revenue-generating infrastructure (training and racing surfaces)
- Coordinated investment aligned with unified industry strategy

- Commercial asset optimisation (hotels, car parks, industrial uses) to lift returns

# Recommendation 3

## Modernise Tax and Regulatory Settings for Breeding Investment

Implement a package of tax and regulatory reforms across five areas:

- Accelerated depreciation for broodmares and breeding stock
- 100% deductibility for all New Zealand bred yearling purchases
- Standard progeny valuation of \$2,500 for homebred foals
- Default pass-through GST treatment for breeding co-ownerships
- Expansion of FMCA small-scheme exemptions from 5 to 15 investors

These changes position New Zealand in a more competitive way against other markets (notably Australia, Ireland and the USA) and encourage reinvestment across breeding, ownership, and syndication.

### Why This Matters: Supply Chain Reconstruction

The industry is facing a supply shock (foal crops down more than 20% in the last decade) driven by rising breeding costs, tightening margins, and policy settings that have not fully adapted to the current economics of bloodstock investment.

These pressures have reduced the number of mares being bred, feeding directly into the Participation Loop of the negative flywheel: fewer foals mean fewer racehorses, smaller fields, weaker wagering product, reduced turnover, lower stakes, and continued exit from the system.

International evidence shows this trend can be reversed. France’s premium system contributed to a 14% rise in foal crops between 2005 and 2023, while the worldwide foal crop fell 38% over the same period. Ireland’s investment-aligned tax environment has helped sustain one of the strongest and most competitive breeding bases globally, and in the United States the introduction of 100% bonus depreciation on bloodstock purchases coincided with the 2025 Keeneland September Sale reaching US\$531.5 million — the highest gross ever recorded at a thoroughbred auction.

These examples show that when policy settings support breeding, supply responds and the longer-term wagering product is protected.

### Proposed Reforms

*Full details of the proposed reforms are included in Appendix C*

Reform	Summary
Accelerated Depreciation for Broodmares	Amend the Income Tax Act to reduce the broodmare write-down period from 6-7 years to 4-5 years, aligning with high-priced livestock treatment. In addition, introduce a 100% immediate write-down for qualifying broodmares (purchase price above \$200,000, aged four years or older, domiciled in New Zealand for at least nine months per year).
Immediate Write-Down for Yearlings	Extend accelerated depreciation to all New Zealand bred yearlings purchased at a New Zealand yearling sale, with immediate 100% write-down provided racing and/or breeding intent is established, and appropriate safeguards introduced (resale within 12 months triggers clawback).

Reform	Summary
Standard Progeny Value of \$2,500	Specify a standard value of \$2,500 for homebred foals, replacing the current cost basis. This defers taxation until real income is generated on sale, simplifies compliance, and aligns with Australia (which uses a nominal A\$20 standard value).
Default Pass-Through GST Treatment	Amend the Goods and Services Tax Act 1985 to confirm pass-through GST treatment as the default position for racing and breeding co-ownerships, rather than requiring an active election. This preserves a 30-year industry practice that allows each co-owner to register individually and claim proportionate input-tax deductions, avoiding unnecessary compliance costs from centralised GST registration.
Expand FMCA Exemptions for Syndicates	Expand FMCA small-scheme exemptions (which limit the number of investors in a bloodstock syndicate before requiring full financial product disclosure) from five to 15 investors. This should be implemented during renewal of the Financial Markets Conduct (Equine Bloodstock) Exemption Notice 2021 before its November 2026 expiry. The current five-investor limit is outdated and fails to reflect modern stallion and broodmare syndicate structures where 10 to 15 investors are common.

### Outcomes Delivered

The recommended tax changes are not a "tax break"; they are a production incentive designed to restart the supply chain at the source. Together, they would:

- Modernise the outdated taxation and compliance settings
- Improve capital recovery and allow faster reinvestment cycles and stronger cash-flow for breeders
- Reduced entry barriers for new investors and broader participation through syndication, encouraging new investment in New Zealand's breeding industry
- Provide greater competitiveness against international jurisdictions (particularly Australia, Ireland and the US) and position New Zealand as an attractive location for high-quality bloodstock ownership and breeding

### Why this works

- International evidence is clear: when breeding settings are aligned with investment reality, supply responds
- France and Ireland have sustained or grown breeding bases through supportive settings
- The US introduced full expensing and saw record bloodstock investment
- These are production incentives, not subsidies

### Why now

- Foal crop decisions today determine supply 3–5 years ahead, which determines revenue and stakes
- Delay compounds downstream impacts and increases future intervention cost
- Several reforms align with existing policy review windows

## Recommendation 4

### Crown-Fund the Racing Integrity Board

Fund the Racing Integrity Board (RIB) through the Government budget process, consistent with the Sport Integrity Commission model, to establish clear independence of the RIB from those it oversees.

#### Why This Matters: Risk Transfer to the Crown

Racing's integrity and animal welfare oversight should be funded in the same way as drug-testing and match-fixing prevention in other sports – by the Crown – to guarantee impartiality.

Crown funding removes the conflict of interest inherent in a user-pays model and ensures that integrity decisions are driven solely by public interest rather than commercial pressure. With Government footing the bill, the Racing Integrity Board (RIB) cannot be pressured to cut corners to preserve stakes; insulation from any suggestion that animal welfare or integrity has been compromised by industry budget constraints.

The current user-pays model creates a conflict of interest that exposes the Government to welfare and integrity risk. The RIB budget is determined in consultation with the industry. In a declining revenue environment, the industry has a financial incentive to constrain integrity budgets to preserve stakes. This creates a structural vulnerability: the regulator's funding is influenced by those it oversees.

Crown funding is a risk-transfer mechanism to sustain the community's trust in racing. It aligns Racing with the Sport Integrity Commission model, removing any suggestion that animal welfare has been compromised for commercial reasons.

#### Outcomes Delivered

- Structural independence from the industry it regulates
- Consistent treatment with sport integrity oversight
- External accountability for funding levels and performance
- Removal of industry decision-making from integrity funding

## Recommendation 5

### Modernise TAB NZ's Legislative Settings

Amend the legislative settings that govern TAB NZ to enable competitive revenue diversification and future-proofed product innovation. These include areas such as online casinos and in-race betting. The settings would empower TAB NZ to introduce new bet types and products as technology and customer preferences evolve, without requiring repeated legislative amendments.

#### Why This Matters

Going forward, TAB NZ must diversify its revenue to be able to sustain medium- and long-term funding to the New Zealand racing industry.

A key additional benefit is that it ensures that customers in New Zealand do not need to seek a black market should they want to consume such products. This is because product frictions drive black market activity where consumers cannot access products they want or expect. Unlicensed operators compete on enhanced product features and build awareness via social media and messaging platforms.

Modernised settings would enable TAB NZ to compete on a level playing field while protecting against offshore activity that undermines New Zealand's policy settings, and the harm minimisation settings enshrined in TAB NZ's statutory settings.

#### Outcomes Delivered

- Revenue diversification to sustain medium and long-term industry funding
- Competitive parity with other New Zealand gambling operators
- Reduction in black market activity through regulated product availability
- Flexible response capability for technology and consumer evolution

## Appendix A

### Further Information to Support Recommendations and Initiatives

The Advisory Committee has already undertaken substantial background work to underpin the recommendations in this report.

This work to date has included developing indicative structural options, reviewing international benchmarks and precedents, and undertaking preliminary financial analysis to test the scale and impact of the proposals.

In addition, there has been a focus on the expected trajectory of the industry without the recommended interventions, and the underlying trends that are creating the fundamental issues which are preventing the industry from maximising the growth potential.

What is clear is that the status quo will not deliver for the industry. The Messara Report (2018) identified key focus areas for the industry to focus on to become a growth industry. The recommendations implemented have delivered “breathing space” for an industry described as being in a state of serious malaise at the time.

These recommendations coupled with the findings from the Advisory Committee support the recommendations and initiatives contained in this report. Without action, the outlook for key KPIs such as the foal crop, available distributions from TAB NZ, the cost base of the industry, and the resultant impact on total stakes for participants is cause for alarm.

For example:

#### Foal Crops

Foal crops are estimated to decrease by ~22% and ~44% respectively for thoroughbred and harness codes, resulting in an ~18% decrease in starter and race numbers for the thoroughbred code and ~32-34% decrease for the harness code.

	FY15	FY20	FY25	FY30f	FY35f	% change (FY25 vs FY15)	% change (FY35 vs FY25)
<b>Thoroughbreds</b>							
Foal crop	3,515	3,030	2,741	2,420	~2,200	-22%	-20%
Starter numbers	5,312	4,263	4,390	4,087	~3,600	-17%	-18%
Race numbers	2,848	1,916	2,468	2,283	~2,020	-13%	-18%
<b>Harness</b>							
Foal crop	1,963	1,566	1,095	985	~985	-44%	-10%
Starter numbers	3,180	2,709	2,400	1,755	~1,620	-25%	-32%
Race numbers	2,680	2,053	2,461	1,751	~1,620	-8%	-34%

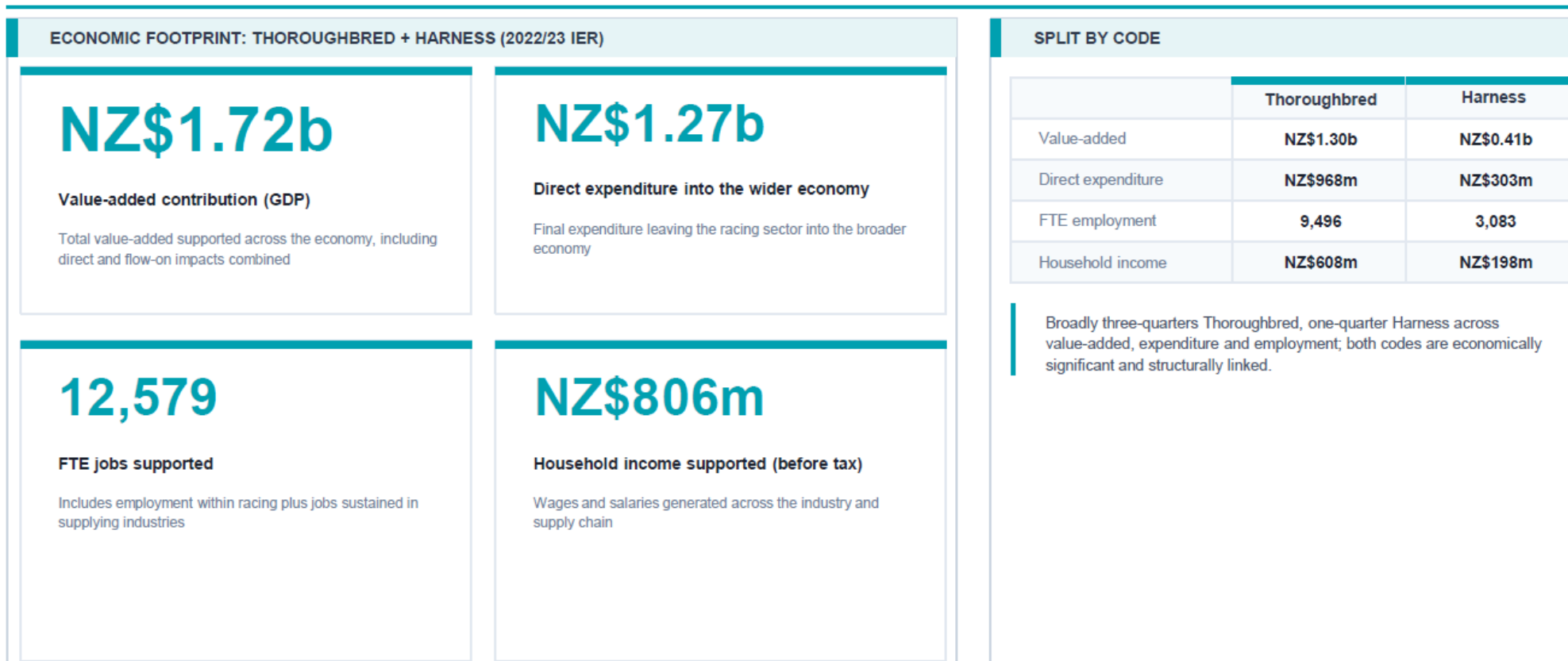
## Stakes

Maintaining current stake levels will mean ~\$130m of the industry's reserves (through TAB NZ and the codes) will be utilised to fund the deficit over the next decade's racing seasons. These reserves are earmarked for critical infrastructure upgrades. The alternative is to reduce prizemoney across the board, at a time when costs are rising.

STATUS QUO, NO CHANGE, USE RESERVES TO FUND OPERATING LOSSES	SHORT TERM CUT TO STAKES OF 19% TO CLEAR DEFICITS, THEN REBUILD	ACCEPT CHANGE, ESTABLISH CENTRAL CO, PURSUE THE SPT, RATIONALISE
<p style="text-align: center;"><b>\$157m</b> FY27 Stakes</p>	<p style="text-align: center;"><b>\$128m</b> FY27 Stakes</p>	<p style="text-align: center;"><b>\$157m</b> FY27 Stakes</p>
<p style="text-align: center;"><b>\$158m</b> FY35 Stakes</p>	<p style="text-align: center;"><b>\$159m</b> FY35 Stakes</p>	<p style="text-align: center;"><b>\$182m</b> FY35 Stakes</p>
<p style="text-align: center;"><b>(\$130m)</b> Reserves utilised (By FY35)</p>	<p style="text-align: center;"><b>Nil</b> Reserves utilised (By FY35)</p>	<p style="text-align: center;"><b>(\$62m)</b> Reserves utilised (By FY35)</p>
<p>Reserves decline from \$234m today to \$104m by FY35. No growth in participant returns, and minimal capacity to invest in infrastructure.</p>	<p>19% immediate cut required. \$130m less to participants vs status quo, and \$216m less than under Central Co strategy - materially undermining participation. Reserves preserved at cost of industry decline.</p>	<p><b>Protects short-term participant returns, whilst enabling growth. Utilisation of reserves still required (approx. \$62m), however a collective \$86m more returned to participants vs status quo.</b></p>

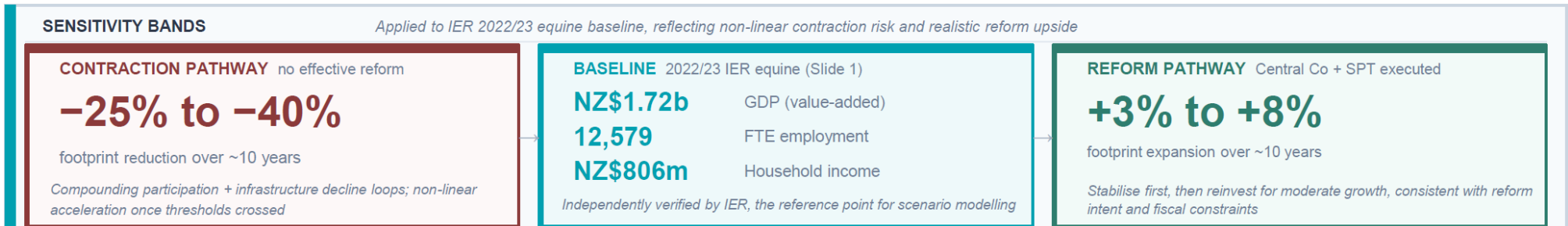
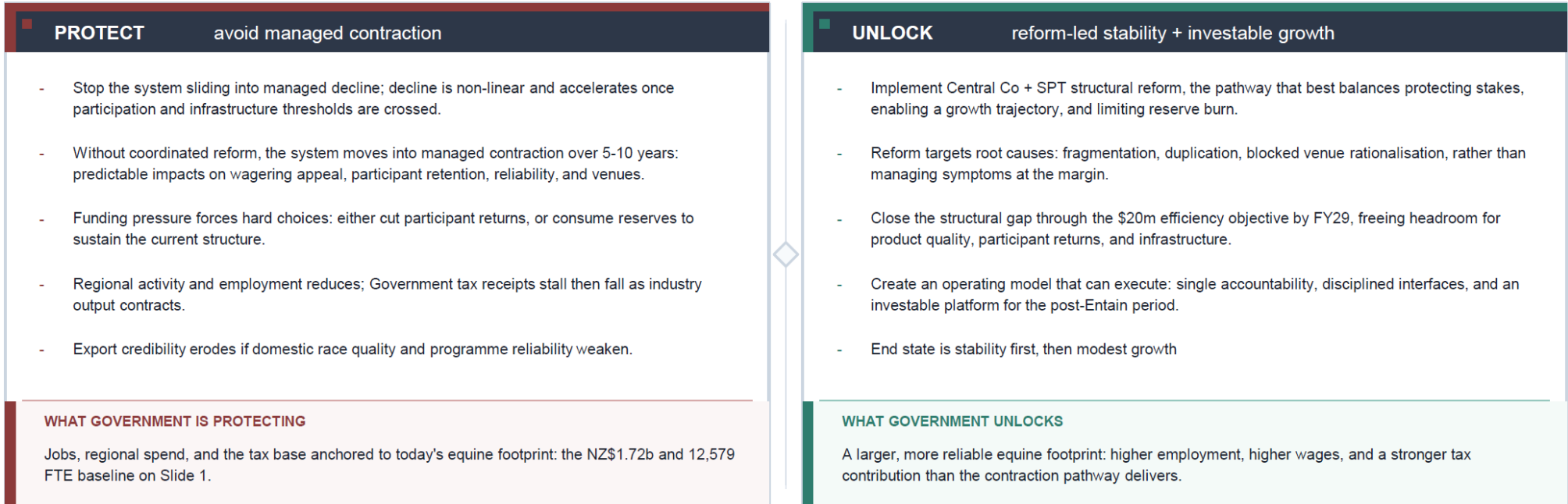
## Economic Contribution

Thoroughbred and harness racing supports NZ\$1.72b of value-added (GDP) and 12,579 jobs across New Zealand: A substantial national economic risk without structural reform<sup>4</sup>.



<sup>4</sup> IER, Size and Scope of the New Zealand Racing Industry (2022/23). Figures shown are thoroughbred + harness only, greyhounds excluded.

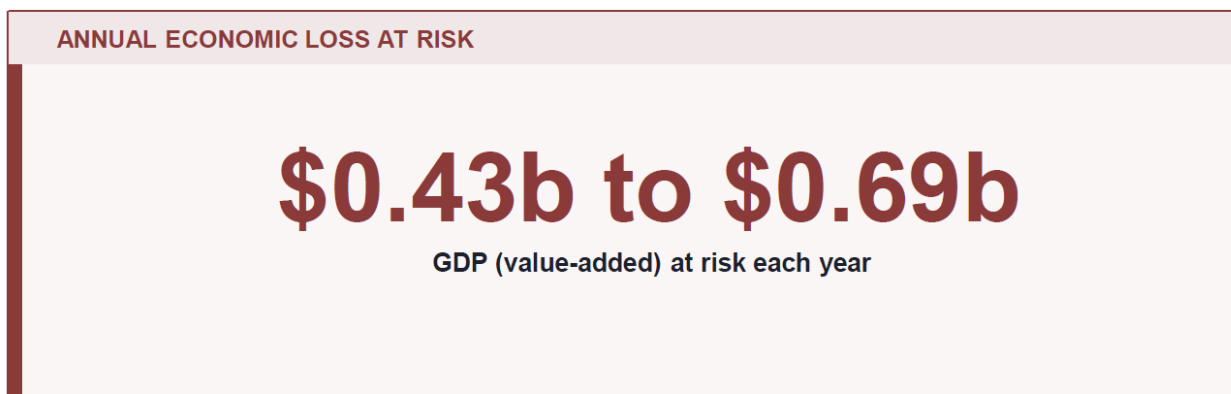
Two possible pathways from today's baseline<sup>5</sup>:



<sup>5</sup> All figures are anchored to IER's 2022/23 "Size & Scope" baseline and exclude greyhounds (thoroughbred + harness only)

What is at stake? If reform stalls and the horse racing footprint contracts, the economic loss is large. The figures below are illustrative and annualised, for the thoroughbred and harness codes only:

HOW TO READ THIS	
WHAT'S INCLUDED	SCENARIO RANGE
- Thoroughbred + Harness only (greyhounds excluded)	- Material contraction: -25%
- IER 2022/23 Key Findings as the baseline footprint	- Severe contraction: -40%
	- Simple proportional reduction from baseline



METRIC (horse racing only) <i>Thoroughbred + Harness</i>	2022/23 BASELINE <i>IER verified</i>	-25% CASE <i>material contraction</i>	-40% CASE <i>severe contraction</i>	ANNUAL LOSS VS BASELINE <i>at-risk range</i>
<b>Value-added (GDP contribution)</b>	<b>\$1,717m</b>	<b>\$1,288m</b>	<b>\$1,030m</b>	<b>\$429m to \$687m</b>
FTE jobs sustained	12,579	9,434	7,547	<b>3,145 to 5,032 FTE</b>
Household income (wages, pre-tax)	\$806m	\$605m	\$484m	<b>\$202m to \$322m</b>
Direct expenditure into the wider economy	\$1,272m	\$954m	\$763m	<b>\$318m to \$509m</b>

Baseline source (IER 2022/23): Thoroughbred + Harness components from Key Findings tables.

Source: IER Pty Ltd, Size and Scope of the New Zealand Racing Industry (2022/23). Excludes greyhounds. Scenario figures are illustrative (simple proportional reduction from IER baseline) to frame the scale of what Government is protecting.

## Appendix B

### Further Information to support the unification of Racing Governance (Recommendation One)

Appendix B highlights at a high-level the impacts of the status quo on the future of the horse racing industry. If it is accepted that the status quo is not an option then unifying the racing governance and administrative functions of the industry will reduce costs, improve decision making, streamline functions, deliver efficiencies at scale, and coordinate planning and operations.

**Costs:** An ambitious yet achievable saving from a unified model is \$20 million per annum by the time the Entain minimum guarantee period expires, comprising:

- \$9 - \$14m through Club network rationalisation
- \$3.3 - \$5m through consolidation of administration functions (including head count)
- \$1 - \$1.5m through refocused industry wide marketing
- \$1m through governance and administrative synergies

**Governance and decision-making:** Whilst specific to the thoroughbred code, the Messara Report (2018)<sup>6</sup> called out that the current governance structure and regulatory hierarchy do not lend themselves to the necessary level of code accountability or to sound decision-making and this can lead to unnecessary Government involvement in the industry. Since the release of this report changes have been made to TAB NZ, due to the partnership with Entain, and the Racing Integrity Board – however the governance and decision-making functions of NZTR and HRNZ remain an issue despite the Messara Report findings still ringing true.

Putting a specific dollar amount on the cost is difficult. Simplistically, the cost of maintaining different Boards (e.g. administration costs, travel, stipends etc.) can be calculated – however the total cost to the equine industry through inaction from multiple fragmented decision-making bodies is clearly significant.

**Streamlined functions:** Maintaining the status quo see duplicated functions (e.g. Finance, HR, legal, procurement) across codes and clubs. A number of these functions are code agnostic. Streamlining these functions would remove duplication and create efficiencies through consistent expertise and economies of scale.

The Advisory Committee, through collaboration with NZTR, HRNZ, TAB NZ, and consultants, have identified 122 functions across the racing ecosystem and assessed that 92 (75%) were identified as consolidation candidates. Over half of these were identified as being suitable for consolidation immediately, if a decision was made to unify the racing governance and administrative functions.

**Co-ordinated planning and operations:** The system is currently set up to operate in silos. On the administration side, both codes are running their own systems for racing services (e.g. stud book, registration, licensing etc.). Within the individual codes there are silos between regions and venues, which prevents “big picture” planning for consolidation, upgrades, and maintenance of venues.

Venues are needing to sell land to fund maintenance, upgrades, and for operational expenditure, which does not maximise the value of assets which are then lost to the industry for good. A combined national plan across both codes would see urgent upgrades funded immediately without needing to sell off assets which could be retained as revenue earning assets for future generations.

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<sup>6</sup> [Messara Report 2018](#)

# Appendix C: DETAILED REFORM PACKAGE PROPOSAL

## Bloodstock Tax and Regulatory Reform

### Proposed Reforms

The table below provides a high-level summary of each of the proposed reforms outlined in the body of the document. On the following pages, the full detail of each reform area is provided for further information.

Reform	Summary
Accelerated Depreciation for Broodmares	Amend the Income Tax Act to reduce the broodmare write-down period from 6-7 years to 4-5 years, aligning with high-priced livestock treatment. In addition, introduce a 100% immediate write-down for qualifying broodmares (purchase price above \$200,000, aged four years or older, domiciled in New Zealand for at least nine months per year).
Immediate Write-Down for Yearlings	Extend accelerated depreciation to all New Zealand bred yearlings purchased at a New Zealand yearling sale, with immediate 100% write-down provided racing and/or breeding intent is established, and appropriate safeguards introduced (resale within 12 months triggers clawback).
Standard Progeny Value of \$2,500	Specify a standard value of \$2,500 for homebred foals, replacing the current cost basis. This defers taxation until real income is generated on sale, simplifies compliance, and aligns with Australia (which uses a nominal A\$20 standard value).
Default Pass-Through GST Treatment	Amend the Goods and Services Tax Act 1985 to confirm pass-through GST treatment as the default position for racing and breeding co-ownerships, rather than requiring an active election. This preserves a 30-year industry practice that allows each co-owner to register individually and claim proportionate input-tax deductions, avoiding unnecessary compliance costs from centralised GST registration.
Expand FMCA Exemptions for Syndicates	Expand FMCA small-scheme exemptions (which limit the number of investors in a bloodstock syndicate before requiring full financial product disclosure) from five to 15 investors. This should be implemented during renewal of the Financial Markets Conduct (Equine Bloodstock) Exemption Notice 2021 before its November 2026 expiry. The current five-investor limit is outdated and fails to reflect modern stallion and broodmare syndicate structures where 10 to 15 investors are common.

## Reform 1: Accelerated Depreciation for Broodmares

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The Committee recommends amending the Income Tax Act 2007 (ITA) so that fillies and broodmares are written down over a four- to five-year period from age two (rather than six to seven years), with an additional measure to allow for a 100% immediate write-down for qualifying high-value broodmares.

### Background

Under existing provisions (sections EC 41(4) and EC 42(1) ITA), fillies and broodmares are written down over six to seven accounting years, commencing from age two, depending on whether the 25% loading for bloodstock not previously used for breeding in New Zealand applies.

This compares unfavourably with the high-priced livestock rules in sections EC 32–EC 37 ITA, which allow specified livestock valued at five times the national average to be written down over a four- to five-year period. For example, IRD determinations specify 25% straight-line per year for sheep and 20% for cattle and stags.

In 2025, the United States introduced a 100% immediate write-down scheme for breeding stock, which has stimulated significant investment in bloodstock and accelerated capital flows into breeding operations.

### Rationale and Outcomes Delivered

- **Improved capital recovery and investment settings:** Shorter write-off periods lift cash flow for breeders, make it easier to recover capital and allow faster reinvestment into higher-quality mares. This lowers the barrier for new investors and strengthens the pipeline of future broodmare purchases.
- **Strengthens the national broodmare herd:** Better depreciation settings reduce the real cost of upgrading the broodmare pool. This raises the standard of mares kept and bred in New Zealand and supports the long-term development of a more sustainable, higher-value national herd.
- **Provides incentive to retain high-quality mares in New Zealand:** More competitive rules give breeders a reason to keep mares in New Zealand rather than moving them offshore. At the same time, improved capital treatment makes the market more attractive to domestic and international investors.
- **Lifts New Zealand's competitiveness internationally:** Aligning with global practice, including jurisdictions that use accelerated depreciation, helps level the playing field and positions New Zealand as a more appealing place to invest in broodmares.

### **Changes Required**

Amend sections EC 41(4) and EC 42 ITA to:

- Reduce the write-down period from six to seven years to four to five years, commencing at age two
- Retain the 25% loading for mares not previously bred in New Zealand
- Adjust section EC 41(5) and EC 42(3) references to ensure full write-down by age seven

In addition, introduce a 100% immediate write-down for qualifying broodmares, with safeguards including:

- Purchase price above NZ\$200,000
- Acquired via a recognised bloodstock sale (physical or online) or privately, provided two independent certified valuations are obtained
- Mares aged 4 years or older
- Applicable only to broodmare propositions (not racing stock)
- Mare must be domiciled in New Zealand for at least nine months per year, verified through import/export certification

## Reform 2: Immediate Write-Down for Yearlings

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The Committee proposes extending accelerated depreciation settings to New Zealand bred yearlings, providing an immediate 100% write-down where clear racing and/or breeding intent is established. This complements the broodmare depreciation reforms (Reform 1) and aligns capital-recovery pathways across the full breeding lifecycle.

### Background

Yearling purchases are the initial capital outlay in a racing and/or breeding operation. High-quality fillies retained as future broodmares and colts intended for eventual stud duties represent long-term breeding investments rather than trading stock. Current tax settings do not distinguish between yearlings purchased for resale and those purchased with the intent of racing and/or breeding, despite the materially different commercial intent.

### Rationale and Outcomes Delivered

- **A consistent capital-recovery path across the breeding cycle:** A full deduction for yearling purchases lines up with broodmare treatment and mirrors international practice such as US expensing rules. It recognises that acquiring yearlings is the first capital step in the breeding cycle and creates a clear, consistent path for recovering investment across the whole lifecycle.
- **Stronger domestic breeding depth:** Improved treatment of yearlings helps keep better fillies and colts in New Zealand. This supports a deeper mare and stallion base over time and strengthens the country's long-term breeding capacity.
- **Greater competitiveness and investment appeal:** More favourable settings make New Zealand yearling sales more attractive for local and offshore investors. This lifts demand, improves the relative appeal of buying and racing in New Zealand and reinforces the country's position against other international breeding markets.

### Changes Required

Introduce a 100% immediate write-down for qualifying yearlings, with safeguards including:

- New Zealand bred yearlings acquired for racing and/or breeding, not resale or pinhooking
- Purchased at a recognised New Zealand yearling sale
- Yearling must remain in New Zealand for at least nine months per year (aligned with broodmare rule)
- Resale within 12 months triggers clawback

Where full write-down criteria are not met, standard accelerated depreciation (four to five years) applies.

### Reform 3: Standard Progeny Value of \$2,500

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The Committee proposes that homebred foals be valued for income-tax purposes at a fixed standard value of NZ \$2,500 at foaling, replacing the current “cost” basis in section EC 44 ITA.

#### Background

Currently, foals are valued at “cost,” reversing out deductions for inputs such as: Stallion service fees, the year’s broodmare write-down, and foaling, weaning, and veterinary expenses.

The result is that breeders are taxed on unrealisable paper gains before income is received. IRD’s QB 21/09 (October 2021) confirms this cost-based treatment, with a de minimis \$500 threshold for internal costs.

Australia instead uses a nominal standard value of A\$20 per foal, allowing deductions for all other costs when incurred and taxing income only at sale.

#### Rationale and Outcomes Delivered

- **Clearer, simpler tax treatment:** A more streamlined approach reduces compliance work, lowers administrative cost and removes unnecessary complexity in how progeny are accounted for. It gives breeders a straightforward system that is easier to manage year to year.
- **Better cash-flow timing without changing the final tax outcome:** Income is taxed only when an actual sale occurs, and deductions are taken earlier in the cycle. This improves cash flow and supports day-to-day operations while keeping the overall tax result neutral.
- **Alignment with key international settings:** Bringing New Zealand’s rules closer to Australia and other major breeding jurisdictions improves consistency and removes cross-border friction. It supports a more competitive and predictable operating environment for breeders.

#### Changes Required

Amend section EC 44 ITA to specify a standard value of NZ \$2,500 for homebred foals retained for racing or breeding purposes, rather than the current “cost” requirement.

## Reform 4: Default Pass Through GST Treatment

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The Committee supports the inclusion of reforms to clarify GST treatment of unincorporated joint ventures (UJVs) in the Government's current tax-policy work programme. It specifically recommends that pass-through GST treatment be adopted as the default position for racing and breeding co-ownerships, rather than requiring an active election.

### Background

For over 30 years, industry practice has treated each co-owner of racing and breeding bloodstock as holding a direct proportional interest for GST purposes. This long-established "pass-through" model allows each participant to:

- register for GST individually (if carrying on a taxable activity);
- claim their proportionate input-tax deductions; and
- account for output tax on their share when the bloodstock is sold.

The IRD Tax Counsel Office's draft ruling PUB00356 proposed that GST registration and activity tests should instead be determined at the central entity level, effectively removing the pass-through model. While this issue is now recognised in the tax-policy work programme, the Committee's strong view is that any legislative reform should preserve and confirm pass-through treatment as the default, consistent with established industry practice.

### Rationale and Outcomes Delivered

- **Keeps a proven, low-cost system in place:** The current pass-through model has worked well for decades. Keeping it as the default avoids new compliance obligations and removes the need for centralised GST registration, which would add cost without improving outcomes.
- **Maintains flexibility for breeders and investors:** Preserving the familiar structure supports broad participation and ongoing reinvestment. It allows co-ownerships to operate in a way that is simple, predictable and well understood across the industry.
- **Aligns with Australian practice and improves consistency:** Confirming pass-through treatment brings New Zealand into line with the Australian Tax Office approach for racing and breeding co-ownerships. This strengthens cross-border consistency and supports a more efficient, competitive environment for investors.

### Changes Required

Amend the Goods and Services Tax Act 1985 to:

- Confirm pass-through GST treatment as the default position for qualifying co-ownerships and unincorporated joint ventures involving breeding or racing bloodstock
- Allow participants to opt out by electing centralised GST registration where this is administratively preferable
- Specify that each co-owner may independently register, claim input tax, and account for output tax in proportion to their interest
- Clarify that the "financial services" definition — including references to participatory securities and contributory schemes — does not override this pass-through treatment

## Reform 5: Expand FMCA Exemptions for Syndicates

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The Committee recommends expanding FMCA exemptions to allow co-investment in bloodstock by up to 15 investors (currently limited to five), to be implemented during the renewal of the Financial Markets Conduct (Equine Bloodstock) Exemption Notice 2021.

We also propose that the FMA conduct a periodic review of the investor-number threshold to ensure it remains fit-for-purpose given rising bloodstock prices and the growth of syndicated ownership models.

### Background

Under the Financial Markets Conduct Act 2013, small-scheme exemptions (Schedule 1, section 16) apply only to managed investment schemes with five or fewer investors.

The Equine Bloodstock Exemption Notice 2021 provides tailored relief for certain bloodstock offerings but expires 30 November 2026.

The five-investor limit is outdated and fails to reflect the structure of modern stallion and broodmare syndicates, where 10–15 investors is common. Costs for high-quality breeding stock continue to rise globally, and the syndication model is expanding as an essential mechanism to maintain participation.

### Rationale and Outcomes Delivered

- **Wider access and stronger participation:** Raising the exemption threshold allows more people to take part in syndicates and spreads risk across a broader group. It supports syndication as a practical entry point for new owners and helps lift participation across the breeding and racing pipeline.
- **A balanced and predictable regulatory setting:** The approach keeps investor protections in place while avoiding heavy or complex regulation. It also provides clarity ahead of the current exemption's expiry, giving syndicators and investors a stable environment to plan within.
- **A structure that can scale with a changing industry:** A periodic review keeps the threshold aligned with rising bloodstock values and shifts in the syndication model. This creates a more modern and adaptable framework that can support growth as the industry evolves.

### Changes Required

- Amend Schedule 1, section 16 FMCA to expand the small-scheme threshold from five to 15 investors for equine bloodstock co-investment
- Renew and update the Financial Markets Conduct (Equine Bloodstock) Exemption Notice 2021 accordingly
- Amend section 3 of the GST Act to align the “financial services” definition with FMCA’s managed investment scheme terminology and include the revised 15-investor standard
- Include a statutory requirement (or FMA directive within the Exemption Notice) for a periodic review—every three years—to assess whether the 15-investor cap remains appropriate based on prevailing market conditions and taking into account: increases in the price of high-quality bloodstock, changes in typical syndicate structures, international regulatory settings and any investor-protection issues observed by the FMA