NEW ZEALAND
CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA

B.24 AR (2026)
B.14 (Vote Customs)

2026 ANNUAL REPORT

Our purpose

We are here to protect and promote
New Zealand across borders

Our vision

We aspire to eliminate
border and revenue risk

Our principles

We deliver our services guided by the principles and focus of
Te Pou Tokomanawa – meeting our obligations as a government agency
and partner in the Māori-Crown relationship

Partnership | **Protection** | **Participation**

Our values

Our values reflect these principles

They were chosen by our people as representative of the way
we work and how we engage with the people we support

We do what's right | **We are guardians** | **We value people** | **We look forward**

This document is presented to the House of Representatives pursuant to section 44 of the Public Finance Act 1989.
AI tools were not used to generate the content of this report, but have been used to assist with editing.

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Comptroller's overview

Christine Stevenson – **Chief Executive and Comptroller of Customs**

The 2025/26 year was marked by increasing complexity and risk at New Zealand's border. Transnational, Serious, and Organised Crime (TSOC) groups continued to expand their reach and influence across our region, global events affected international trade, and advances in technology created both new opportunities and challenges.

The impact of organised crime activity on New Zealand and the Pacific continues to grow

Driven by strong demand and high prices for illicit drugs and tobacco, organised crime groups are targeting our region as they seek to grow their markets. During 2025/26, Customs intercepted almost 13 tonnes of illicit drugs and more than 23 tonnes of illicit tobacco before they could reach New Zealand communities.

The impact of organised crime is increasingly being felt across the Pacific as criminal groups based in Central and South America expand their activities. In January 2026, Customs, the New Zealand Defence Force, and the Government Communications Security Bureau launched Operation Kiwa to increase the disruption of illicit drug trafficking and organised crime activity in the Pacific. The operation delivered immediate results, contributing to the interception of a record 4.2 tonnes of cocaine destined for New Zealand. This work is ongoing and is building closer operational partnerships with Pacific agencies responding to the same threats.

Closer to home, our intelligence and investigations teams identified a syndicate recruiting young New Zealanders through social media to act as drug couriers in exchange for money and overseas travel. Identifying the organisers and recruiters behind the syndicate helped dismantle it and provided valuable insights for targeting similar groups in the future.

At the same time, organised crime groups have become increasingly sophisticated and more willing to challenge border controls, creating new risks for the people responsible for protecting New Zealand's border. Ensuring our people have the skills, training, equipment, and support they need to operate safely and confidently remains a priority.

Supporting economic growth while strengthening border security

Assessing risk and processing trade goods quickly, while reducing access barriers into overseas markets, are important to support economic growth. During the year we contributed to the successful conclusion of the India-New Zealand Free Trade Agreement negotiations. The agreement will reduce or eliminate tariffs on 95% of New Zealand's current exports once fully implemented.

We also signed a Mutual Recognition Arrangement with the Royal Malaysian Customs Department which will provide faster clearance of trade goods for exporters who meet best practice supply chain security standards. Similar arrangements are under negotiation with Saudi Arabia and the United Arab Emirates. These arrangements are expected to be completed by June 2027, reducing delays and costs for exporters into growing Middle East markets.

On 1 April 2026, new Goods Management Levies came into effect following more than three years of consultation with industry. The new framework creates a fairer and more transparent approach to funding the services that enable goods to move safely and efficiently across New Zealand's border.

Technology and innovation continue to transform the way we deliver our services

This year we achieved our target of 70% of people arriving in New Zealand using the digital New Zealand Traveller Declaration, helping travellers complete their arrival information more easily and supporting smoother arrival processes. The declaration also helps raise awareness of New Zealand's specific border and biosecurity requirements.

During the year, we expanded our use of data analytics and digital forensic and artificial intelligence tools. This includes AI-enabled tools that support software development and security. We also invested in new operational capability including remotely operated underwater camera systems.

Working together to strengthen the integrity of our border system

Customs is one part of the wider border system, and effective outcomes rely on strong partnerships. We work closely with government agencies, industry stakeholders, and international counterparts to share intelligence, coordinate operations, enhance supply chain security, facilitate trade, and respond to emerging threats.

Through Operation Kiwa, the Illicit Tobacco Action Group, our day-to-day partnerships with the Ministry for Primary Industries and Immigration New Zealand, and our work with customs administrations around the world, these relationships allow us to bring together expertise, information, and resources in ways that no agency could achieve alone.

Finally, I would like to acknowledge the professionalism and commitment of our people. They work hard 24 hours a day, seven days a week, in an increasingly complex and challenging environment. This report reflects their achievements, dedication, and ongoing commitment to protecting New Zealand's border.

Statement of Responsibility

As Comptroller of Customs, I am responsible for:

- the preparation of the financial statements for the New Zealand Customs Service, the statements of expenses and capital expenditure, and for the judgements expressed in them
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ensuring that end-of-year performance information on each appropriation administered by the New Zealand Customs Service is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report
- the accuracy of end-of-year performance information prepared by the New Zealand Customs Service, whether or not that information is included in this annual report.

In my opinion:

- the annual report fairly represents the operations, progress, and organisational health and capability of the New Zealand Customs Service
- the financial statements fairly reflect the financial position of the New Zealand Customs Service as at 30 June 2026 and its operations for the financial year ended on that date
- the forecast financial statements fairly reflect the forecast financial position of the New Zealand Customs Service and its operations for the 2026/27 financial year.

Christine Stevenson

Comptroller of Customs
29 September 2026

Who we are and what we do

Established in 1840, the New Zealand Customs Service (Customs) is the oldest government department in New Zealand. We provide essential services that protect New Zealand's border, support economic growth through the facilitation of trade and travel, promote New Zealand's interests in international forums, and provide policy advice on border-related issues. We also collect tax revenue on behalf of the Government ($18.6 billion in 2025/26).

Our functions and services

We have three core functions:

Protection
Making our country safer and more secure by managing the risks associated with the international movement of goods and people.

Trade and Revenue
Supporting the efficient flow of trade and revenue collection as goods cross our border and the collection of excise duty on goods produced in New Zealand.

Travel
Providing secure border processes that facilitate legitimate international travel and reduce associated threats.

Through these functions we are responsible for:

- targeting transnational, serious, and organised crime groups in partnership with national and international law enforcement and customs agencies
- coordinating the response to national security threats at the border
- identifying and seizing illicit drugs and tobacco, objectionable material, and other harmful items at the border
- making sure passengers, crew, and craft can clear Customs screening areas quickly and easily, while making sure they do not bring goods with them that could cause harm to our communities
- ensuring import and export trade goods are processed quickly at the border
- collecting tax revenue on behalf of the Government on dutiable goods crossing the border and on the manufacture of alcohol, tobacco, and fuel products within New Zealand
- supporting the development of free trade and customs facilitation agreements
- providing policy advice to government ministers and other agencies on border and revenue issues
- working with global customs agencies to develop international policy and best practice.

The people we support

We interact with a broad range of New Zealanders and people from the rest of the world in many ways by:

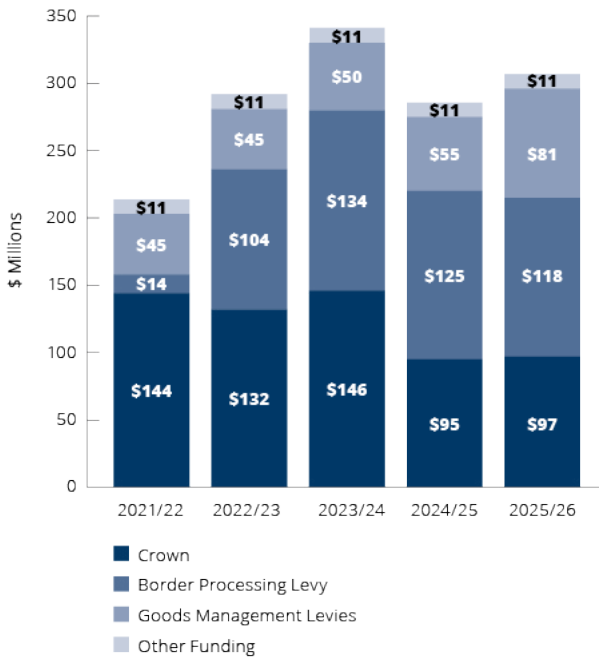
- processing arriving and departing international passengers and crew across the border
- advising exporters, brokers, and freight forwarders on trade and clearance issues
- providing on-the-ground support and advice to exporters facing customs and border related issues in overseas markets
- participating in joint operations with overseas customs and law enforcement agencies to stop illicit drugs and harmful items reaching New Zealand
- working with industry partners to make New Zealand's supply chain as secure as possible.

How we are funded

Approximately 65% of our funding in 2025/26 came from third-party funding – primarily from the levies we charge to cover the cost of screening and processing passengers (Border Processing Levy) and goods and cargo (Goods Management Levies) as they cross the border. Another 3% of our funding was provided by other agencies to contribute to the cost of shared services or programmes.

The remaining 32% of our funding came from the Crown.

Figure 1: Customs funding sources ($m)



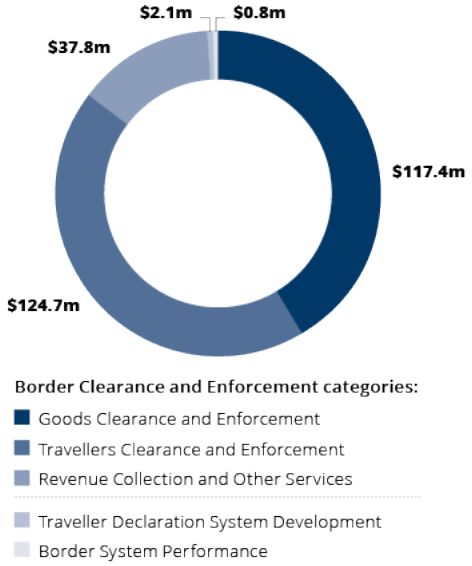
Our funding increased in 2025/26 largely due to additional funding received in Budget 2025, and a small amount of remaining funding for the New Zealand Traveller Declaration programme that was transferred to 2025/26 to fund system enhancements.

Funding through the Border Processing Levy was low in 2021/22 due to the border restrictions in place during the COVID-19 pandemic. Crown funding increased in that year to offset the reduced revenue and fund the additional services Customs provided during the pandemic.

What we spend our funding on

Most of our operating expenditure is for risk assessing, processing, and clearing passengers and goods as they cross the border and the collection of Crown tax revenue. These services are funded through the Border Clearance and Enforcement multi-category appropriation.

Figure 2: Customs expenditure in 2025/26 ($m) by appropriation



See page 90 for more information on our financial performance.

Operating in an environment of increased risk and complexity

We deliver our services in an environment shaped by evolving border threats, changing trade conditions, and rapid advances in technology.

The sustained increase in transnational, serious, and organised crime (TSOC) activity continues to create challenges for border and law enforcement agencies. Criminal groups are becoming more sophisticated, increasing the risks faced by our officers and requiring stronger relationships, intelligence sharing, and coordinated action across New Zealand and internationally.

International events and changing trade policies continue to create uncertainty for exporters and importers. Maintaining strong relationships with trading partners and investing in modern border systems and trade platforms helps support the efficient movement of goods while managing emerging risks.

At the same time, we must ensure we have the right people, skills, technology, and resources in place to respond to future demands while operating in a constrained financial environment.

Collective accountability for the border system

New Zealand's border system relies on multiple agencies working together to deliver border security, trade, and travel outcomes. The Border Executive Board (BEB) provides oversight and coordination across this system.

The BEB began operating in January 2021, with responsibility for delivering the border response to the COVID-19 pandemic and joint accountability for managing wider border risks. From 1 January 2026, it transitioned into a Sector Leadership Group focused on coordinating the management of the New Zealand border.

The Board is chaired by the Comptroller of Customs and reports to the Minister of Customs. Customs provides administrative, financial, and corporate support to the Board and Secretariat and contributes to delivery of the Border Sector Strategy.

Contributing to national security objectives

Customs works closely with partner agencies to make sure New Zealand has a sector-wide approach to managing potential threats. We are part of the national security community and a member of the **National Security Board.**

The National Security Strategy outlines 12 core areas of focus (known as core issues). We are the coordinating agency for Border Security, and we co-lead the Transnational and Serious Organised Crime (TSOC) core issue with the New Zealand Police.

The **Maritime Security Oversight Committee,** led by the Ministry for Cities, Environment, Regions and Transport, is responsible for the protection, collaboration, and management of New Zealand's maritime interests. This includes responsibility for the Maritime Security Strategy.

Customs plays an important role in the delivery of maritime patrols and the provision of intelligence that helps inform and monitor threats and risks in the maritime environment and supply chains both in New Zealand and across the Pacific.

Working with international partners

We are part of international forums targeting shared threats and security issues, improving global customs standards and practices, and supporting the rapid facilitation of trade goods. This includes:

- the **Border Five** group, bringing together customs and border protection agencies from Australia, Canada, New Zealand, the United Kingdom, and the United States
- the **World Customs Organization,** representing 186 customs administrations around the world
- the **Oceania Customs Organisation,** supporting best practice border security and trade across the Pacific
- **the Asia-Pacific Economic Cooperation (APEC) Forum,** promoting trade facilitation and best practice across 21 member nations.

We also work closely with partner administrations in the European Union and Association of Southeast Asian Nations and are strengthening relationships across the Middle East.

Our international partnerships are strengthened by our network of international liaison officers and Customs Counsellors. This network supports two-way intelligence and information sharing, joint operational activities, and skills exchange and development programmes.

Interagency collaboration at the New Zealand border

PROGRESS ON STRATEGIC INTENTIONS

How we monitor performance

Our performance framework helps us to tell a clear story about the work we do and why it is important. It provides an overview of how we measure, track, and report our performance and the delivery of our services.

What we aim to achieve

We have three core functions:

- protect New Zealand's border (Protection)
- support the efficient flow of trade and revenue collection (Trade and Revenue)
- facilitate international travel while managing risks and threats to New Zealand (Travel).

Our strategic objectives are set out in our Statement of Intent

The Statement of Intent 2024–2028 sets out our objectives and key areas of focus over the medium term. It describes the outcomes we aim to achieve for New Zealanders, and the steps we are taking to ensure we deliver our services effectively and efficiently.

Each of our core functions has an overarching outcome we aim to deliver, and a set of strategic objectives that outline the focus of our work. Our outcomes and objectives are agreed with the Minister of Customs.

We expect to review and update our Statement of Intent during the first half of the 2027 calendar year.

Read more about our strategic objectives in our Statement of Intent:

www.customs.govt.nz/media/zxeoj13j/statement-of-intent-2024-2028.pdf

Our Performance Framework is used to structure our performance reporting

We monitor our performance in five areas:

- progress towards the **medium-term strategic objectives** set out in our Statement of Intent across our three core functions – Protection, Trade and Revenue, and Travel
- the **services and activities we deliver** to help us meet our strategic objectives
- **what we delivered with the funding we received** during the financial year (our output performance measures)
- how we are tracking towards our **internal priority areas** that support the effective and efficient delivery of our services
- ensuring we meet our **stewardship responsibilities** and have the right people, systems, and processes in place to operate effectively as an organisation.

This multi-layered approach provides a comprehensive overview of the impact our work has on the protection and promotion of New Zealand across borders. Progress is monitored using a mix of qualitative, quantitative, and narrative information.

Customs Performance Framework 2024–2028

We are here to **protect and promote New Zealand across borders**

We support Government priorities

- Protecting New Zealand communities from harm
- Promoting economic growth
- Delivering efficient and fiscally sustainable public services

Through the efficient and effective delivery of our core functions and services guided by the principles and focus of Te Pou Tokomanawa

Protection
Prevent threats reaching New Zealand

Trade and Revenue
Support the efficient flow of trade and revenue collection

Travel
Provide a streamlined experience for passengers and crew across borders

Our objectives

Make our country safer and more secure by managing the risks associated with the international movement of goods and people
- Reducing the ability of TSOC groups to operate in our region (page 23)
- Reducing social harm to our communities (page 30)

Support the efficient flow of trade and revenue collection as goods cross our border and the collection of excise duty on goods produced in New Zealand
- Facilitating the flow of international trade (page 40)
- Easy to use systems and processes (page 45)
- Identifying and appropriately addressing non-compliance (page 46)

Provide secure border processes that facilitate legitimate international travel and reduce associated threats
- Border screening processes manage risks and threats (page 53)
- Processing services are efficient, smart, and easy to use (page 57)

Our output measures monitor how well we deliver the activities that support our services

Border Clearance and Enforcement (page 93)
- Goods clearance and enforcement
- Travellers clearance and enforcement
- Revenue collection and other services

Border system performance (page 96)

Our strategic priorities support us to effectively deliver our services and activities

People
We have an adaptable and diverse workforce that can respond to changing environments (page 12)

Partnerships
We strengthen our partnerships with the people, agencies, stakeholders, and communities we work with (page 12)

Innovation
We foster a culture of innovation, generating new ideas and approaches to border and risk management (page 13)

Technology and Data
We get the best value from our data and systems, while making sure that data is protected (page 13)

We monitor our stewardship responsibilities to ensure we have the right people, systems, and processes in place to achieve our purpose

- We actively manage our risks and assets (pages 81 and 84)
- We are effective stewards of our regulatory systems (page 83)
- We promote safe work practices and support the holistic wellbeing of our people (page 72)
- We reflect the community we serve (page 70)
- We are good stewards of New Zealand's resources (page 87)
- We take a long-term financial view and proactively manage cost pressures (page 83)

Summary of performance

Strategic objectives

Outcome	Objectives	Strategic Indicators	On Track	
Protection Prevent threats reaching our border	Reducing the ability of TSOC groups to operate in our region	**Preventing** harm reaching New Zealand through strong international partnerships	✓	(page 24)
	Reducing social harm to our communities	**Increasing** the amount of potential harm avoided through illicit drug seizures	✓	(page 30)
Trade and Revenue Support the efficient flow of trade and revenue collection	Facilitating the flow of international trade	Processing trade transactions, considered compliant after risk assessment, **within five minutes**	✓	(page 42)
	Easy to use systems and processes	Customer **satisfaction** with services delivered through Business Connect (digital service platform)	✓	(page 45)
	Identifying and appropriately addressing non-compliance	– **Reducing** non-compliance rates of traders through Customs' Trade Assurance Audit programme (monitoring rates of negligent and deliberate non-compliance) – **Maintain** low levels of non-compliance of randomly selected import trade entries	✓	(page 47)
Travel Provide a streamlined experience for passengers and crew	Border screening processes manage risks and threats	**Risk assessment** of arriving passengers and crew	✓	(page 54)
	Processing services are efficient, smart, and easy to use	**Increased** use of digital services – eGate usage – Digital New Zealand Traveller Declarations	✓	(page 58)

Key: ✓ On-track X Off-track

Strategic objectives and services

We monitor how well we are tracking towards our strategic objectives over time. Our strategic indicators show key trends, supported by qualitative and quantitative reporting on the services and activities that help us to achieve our objectives.

Our assessment of our progress is based on the five-year trend. As at 30 June 2026, we are on track to meet all our strategic objectives. More detail on each objective and the activities and services that support us to remain on track are set out in the *Assessment of operations* section (pages 14–62).

While we remain on track to meet our strategic objectives, we need to continually adapt our services, capability, and ways of working to make sure we effectively respond to changing border threats and opportunities.

Output performance measures

Our output performance measures provide an annual assessment of how well we have delivered our services – what we did with the funding we received.

Output measures are set each year through the Government's Budget process. The measures are set out in *The Estimates of Appropriations 2025/26* and *The Supplementary Estimates of Appropriations 2025/26* for Vote Customs.

Most measures relate to the delivery of services in our functional areas and are set out in the blue boxes in the *Assessment of operations* section.

The costs of delivering our services are set out in the *Appropriation Statements* (pages 92–101).

Read more:

Vote Customs – External Sector – The Estimates of Appropriations 2025/26 | The Treasury New Zealand: www.treasury.govt.nz/publications/estimates/vote-customs-external-sector-estimates-appropriations-2025-26

Vote Customs – The Supplementary Estimates of Appropriations 2025/26 | The Treasury New Zealand: www.treasury.govt.nz/publications/supplementary-estimates/vote-customs-supplementary-estimates-appropriations-2025-26

Internal priority areas

The Customs Strategy was launched in 2023. It is a five-year strategy that focuses on the shifts we need to make as an organisation to ensure we are well positioned to meet current and future challenges and opportunities. The strategy informs the way we prioritise our resources to achieve our objectives.

Each priority area is sponsored by a member of the Customs Executive Board, with regular reporting on progress towards our objectives.

People

We have an adaptable and diverse workforce that can respond to changing environments

The increasing scale and sophistication of TSOC activity has created a higher-risk operating environment for our people. During 2025/26, we focused on ensuring we had the right people, with the right skills, in the right places to meet changing operational demands. This included trialling an enhanced basic training programme for new officers (page 69) and continuing to strengthen health, safety, and wellbeing initiatives (page 72).

Partnerships

We strengthen our partnerships with the people, agencies, stakeholders, and communities we work with

Partnerships are essential to protecting New Zealand's border and supporting legitimate trade and travel. Examples include Operation Kiwa targeting TSOC activity in the Pacific (page 24), the new Illicit Tobacco Action Group (page 33), collaboration with industry partners to strengthen supply chain security (page 28), and supporting customs and trade agreements with India, Malaysia, and Saudi Arabia (pages 40–41).

Innovation

We foster a culture of innovation, generating new ideas and approaches to border and risk management

Innovation helps us respond to emerging risks and improve the services we provide. During 2025/26, this included investing in new underwater inspection capability through remotely operated vehicles (page 27), enhanced digital forensic capability funded through Budget 2025, and modernising trade systems through the tariff modernisation project (page 45).

Technology and Data

We get the best value from our systems and information, while making sure that data is protected

Technology and data play a critical role in facilitating trade and travel and managing border risks. During 2025/26, we continued to invest in cyber security capability (page 82), strengthen data analytics and risk-targeting systems (page 36), and carefully expand the use of AI-enabled tools across the organisation (page 82).

Read more about Customs Strategy at:
www.customs.govt.nz/globalassets/documents/misc/customs-strategy.pdf

Stewardship of our people, information, and resources

We also actively monitor our stewardship responsibilities as a public service organisation.

The Public Service Act 2020 defines five areas where agencies are expected to have a specific focus on their stewardship responsibilities. We monitor and report our performance in these areas through our quarterly and annual reporting.

Our stewardship responsibilities include:

- long-term organisational capability and skills (page 69 – *Building a capable and adaptable workforce*)
- effective and efficient systems and processes (page 81 – *Managing our risks*)
- maintaining institutional knowledge and information (page 81 – *Maintaining a safe and secure environment*)
- managing agency assets and financial sustainability (page 83 – *We take a long-term financial view of our resources*)
- the legislation the agency administers (page 83 – *Regulatory stewardship*).

More information is set out in the Organisational Health and Capability section of this report (pages 63–88).

ASSESSMENT OF OPERATIONS

Year at a glance – 2025/26

Protection

Prevented almost 13 tonnes of illicit drugs reaching our communities through seizures at our border and by overseas partners

Supported the seizure of a record 4.2 tonnes of cocaine before it could reach New Zealand through Operation Kiwa

Intercepted more than 23 tonnes of illicit tobacco, representing $45.5 million in foregone revenue

Arrested 21 people for cross-border online child exploitation offending

Trade and Revenue

Contributed to the negotiations for a Free Trade Agreement with India

Signed agreements with customs administrations in Malaysia and Saudi Arabia to make it easier and faster for export goods to reach these key trade markets

Processed 31.6 million import transactions and 4.1 million export transactions, with 99.3% risk assessed and cleared within five minutes

Collected $18.6 billion in Crown tax revenue on behalf of the Government

Travel

Processed almost 14 million passengers and crew entering or leaving New Zealand

Led a six-month investigation which uncovered a large drug syndicate using young New Zealanders to act as drug couriers

Achieved our target of more than 70% of passengers submitting a digital New Zealand Traveller Declaration

Broadened access to eGates, with travellers from 59 countries and territories now eligible to use them

What we did and the difference it made

This section provides an overview of our key activities during the 2025/26 financial year, organised around our core functions – Protection, Trade and Revenue, and Travel – together with our policy advice, ministerial servicing, and governance responsibilities.

Our performance is assessed under four areas:

- **strategic indicators** that provide an overview of how we are tracking towards our longer-term strategic objectives
- a **summary of the services we have delivered** during the year to support our strategic objectives
- examples of **the impact our services are having**
- **output performance measures**, which outline the activities we carried out with the funding we received.

This multi-layered approach gives an overview of the impact of our work and the outcomes we achieved. Our strategic indicators and output performance measures are externally audited.

Our core functional areas overlap as we balance our objectives of protecting the border and our communities from harm, with the efficient and effective facilitation of travellers and goods as they cross the border.

We are tracking well towards our strategic objectives

We are on track to achieve the strategic objectives set out in our Performance Framework (page 10).

Our strategic objectives are designed to remain stable over a four-year period. To achieve them, we adapt our services and activities in response to changing risks, opportunities, and operational demands.

During 2025/26, we expanded our response to TSOC activity through a new campaign targeting drug smuggling through the Pacific, helped establish the cross-agency Illicit Tobacco Action Group, enhanced cargo screening, purchased new remotely operated camera systems, and strengthened partnerships with border and law enforcement agencies in New Zealand and across the Pacific. We also restarted services at Hamilton and Dunedin International Airports, supported exporters and importers affected by international trade disruptions, strengthened customs and trade partnerships with key international markets, and continued proactive activity to improve compliance with government regulations and revenue requirements.

We met 31 of the 34 output performance measures for 2025/26

Our output performance measures help monitor our activities as we deliver our services. These measures and the expected standards are set out in the dark blue boxes in this section.

Across our output performance measures:

- We did not meet the 100% external alerts standard for a second year.

  We completed a review of alerts received from other government agencies on people that are of interest to them. We have implemented corrective actions and engaged with relevant agencies to improve how these alerts are managed (page 56).

- We only partially met one out of two measures related to the independent assessment of our policy advice. FrankGroup assessed our advice against the Department of the Prime Minister and Cabinet's Policy Project Policy Quality Framework and Policy Skills Framework.

  While a third of our papers were marked 'Good (4)' or above, only 80% were assessed 'Acceptable (3)' or above. The average score of papers was 3.4 when the standard is 3.5 (page 61).

Disclosure of Judgements

Our performance information is prepared in accordance with Tier 1 Public Benefit Entity (PBE) accounting standards, which have been applied consistently throughout the 2025/26 financial year.

This includes compliance with the PBE FRS 48 Service Performance Reporting standard. The standard sets principle-based requirements around the selection and presentation of performance information that is appropriate and meaningful to readers.

Measuring our performance

Our Performance Framework (page 10) sets out how we measure, track, and report on our outcomes, services, and outputs across our core functions.

Most of our services and activities are funded through a multi-category appropriation – Border Clearance and Enforcement that includes:

- Goods Clearance and Enforcement
- Travellers Clearance and Enforcement
- Revenue Collection and Other Services.

The multi-category appropriation allows us to move funding across the delivery of goods, traveller, and revenue services as resourcing demands change due to volumes of work or increased risk management activities.

We have three other departmental appropriations:

- Border System Performance – which funds the work of the Border Executive Board Secretariat (ceased on 30 June 2026)
- New Zealand Customs Service Capital Expenditure – which funds the purchase or replacement of our assets
- Traveller Declaration System Development – a multi-year appropriation funding the development, implementation, and enhancement of the New Zealand Traveller Declaration system.

Our progress indicators show how well we performed against our Statement of Intent

Our Statement of Intent describes our core functional areas and medium-term objectives. Each objective is supported by a set of progress indicators reflecting the impact of our services and activities. These indicators are set out in the teal boxes throughout the Annual Report.

Our output measures show how well we performed against the services we deliver

Our multi-category appropriation contains output performance measures and standards to assess how well we deliver our services and activities. These performance measures are set out in the dark blue boxes throughout the Annual Report.

Our output performance measures reflect the information included in *The Estimates of Appropriations* and as amended by *The Supplementary Estimates of Appropriations* for the year ending 30 June 2026. The 2025/26 actual results are audited.

Critical reporting judgements, estimates, and assumptions

Our progress indicators and output performance measures and standards for 2025/26 meet the requirements of PBE FRS 48. They provide a mix of quantitative and qualitative indicators.

We regularly review our key strategic indicators to make sure they are relevant and meaningful ways of tracking our progress towards our strategic outcomes. Where possible, we include five years of data to show trends.

Our output measures are reviewed twice a year to make sure they accurately reflect the services we deliver and are relevant and material ways of assessing our performance.

Our measures include activities for facilitation, risk assessment, interventions, and compliance. Performance standards are set based on an analysis and assessment of trends, risk-based sampling, and assurance modelling, as set out in the table below. The fit for purpose measures and standards provide a valid representation of the services delivered.

Basis for measurement	Measures
Random sampling	OC1.09, OC2.05, OC3.03
Risk based sampling	OC1.01, OC1.02, OC1.07, OC1.08, OC3.01, OC3.02, OC3.04, OC3.05, OC3.06
Surveys	OC2.08, OC2.09
Trends (activities completed)	OC1.04, OC1.10, OC2.01, OC2.02, OC2.04, OC2.06, OC2.12, OC3.10
Trends (assessments)	OC2.07a, OC2.07b
Trends (proportion of population)	OC2.03, OC3.07, OC3.09
Trends (timeliness)	OC1.03, OC2.10, OC2.11, OC2.13, OC3.08

Contextual information for our output performance measures

We have included comparison of our performance measure results between 2025/26 and 2024/25. Additional information has been included to explain where we have not met our standards.

Where the measures or standards have changed for 2026/27, we have set out the reason for the change. This information is unaudited.

Satisfaction surveys

Feedback from those who use or receive a service provides a way to confirm we are doing well or identify opportunities for improvement. Customs uses experience and satisfaction surveys to gather the opinions of the general public, businesses, and our Minister.

We deliver services through Zendesk, a customer management system, and the whole-of-government Business Connect platform. Both systems request feedback on user experience. This provides an indication of the extent customers and clients find our services easy to use (page 45).

We also survey our portfolio Minister each year to assess their satisfaction with our policy advice and ministerial servicing (page 61).

Linkages between non-financial and financial performance information

Information on how well we performed against our output performance measures and the indicators we use to measure our progress towards our strategic objectives needs to be read along with our appropriation and financial statements (beginning on pages 92 and 102).

Together this information provides a broader assessment of how effectively we used our funding to achieve our objectives.

Implementing the Government's priorities

Customs' core services align with the Government's focus areas of law and order and economic growth.

While Customs does not directly contribute to the nine Government targets, our work supports the Government's priorities to:

- protect New Zealand communities from harm
- promote economic growth
- deliver efficient and fiscally sustainable public services.

We support these priorities through our response to increasing TSOC activity and our work intercepting illicit drugs, tobacco, and other prohibited goods at the border (page 30). We also work with the Ministry of Foreign Affairs and Trade and other agencies to improve access for New Zealand exports through Free Trade Agreements and customs agency level partnerships. This includes supporting the negotiation of the India-New Zealand Free Trade Agreement, negotiating a Memorandum of Cooperation with Saudi Arabia to strengthen joint action on customs and border security issues, and a customs cooperative agreement with Malaysia (page 40).

Our digital border services, including the New Zealand Traveller Declaration and next generation eGates, also support the Government's travel and tourism objectives (page 57).

Significant Budget initiatives

Budget 2025

Combatting Transnational, Serious and Organised Crime at the Border

Through Budget 2025, we received nearly $35 million over four years to increase our capacity to respond to the threat posed by TSOC groups.

The initiative has three focus areas:

- targeting the threat posed by people who use their access to restricted areas to remove illicit goods before they reach Customs screening areas
- increasing capacity to investigate low volume/ high frequency drug smuggling
- funding to establish an international post position in Los Angeles from 2026/27.

During 2025/26, the first tranche of this initiative was implemented, providing an additional 19 FTE to expand intelligence, investigation, and operational activity against TSOC groups (see pages 32 and 55 for examples of our work in this area). A new international Intelligence Liaison Officer has been recruited and is expected to be in place in Los Angeles by early 2027 following a pre-posting work programme.

Budget 2026

Through Budget 2026, Customs received nearly $81.5 million over four years in additional funding through two new initiatives.

Border Security – Responding to Increased Smuggling and Protecting the Flow of Trade

This initiative provides $70.7 million over four years to support our border management and protection services in response to the sustained escalation of TSOC activity. The funding is focused on:

- upgrading and expanding cargo x-ray and imaging equipment
- strengthening the security of Customs facilities and Customs Controlled Areas
- new defensive equipment and enhanced training for staff
- increased capacity to store and manage seized illicit goods.

The first phase of this initiative began in July 2026.

Border Security – Expanding Overseas Disruption of Criminal Networks

Through Budget 2026, we also received $10.8 million over four years to establish four new Customs overseas liaison officer roles in the Pacific, South America, the Middle East, and the Netherlands, to work with international border and law enforcement agencies to disrupt TSOC groups.

Overseas liaison officers play a key role in establishing and strengthening relationships that provide valuable intelligence and coordination for border security and trade facilitation.

The first two roles, based in Colombia and Fiji, will be in place in the 2026/27 financial year.

Baseline savings

Customs' fiscal sustainability programme supports us to maintain a long-term view of our financial position. This helps identify emerging cost pressures early and make sure we can continue to deliver our services within existing funding levels (page 83).

Customs was not required to make specific baseline savings during the 2025/26 financial year. However, we continued to implement the Budget 2024 baseline savings of $1.2 million per annum. No non-departmental savings were required or made during the 2025/26 financial year.

Through Budget 2026, we were required to identify 2% of Crown baseline funding ($1.7 million per annum) that could be returned to the Government to be reallocated to other priority areas. These savings will be achieved by reducing discretionary operating expenditure in areas that do not impact the delivery of core services.

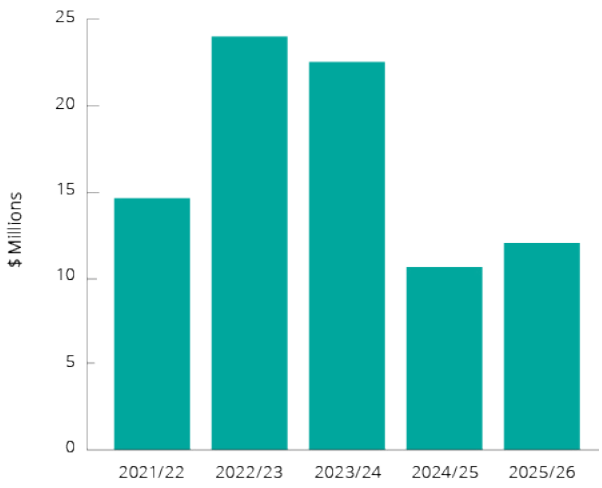
Reduction in expenditure on contractors and consultants

We use contractors and consultants when specialised expertise is required and is not available within Customs. This largely involves contractors and consultants working on specific projects. Where possible, fixed-term contracts are offered for project work.

Contractor and consultant spending in 2025/26 was $12.0 million, an increase of $1.4 million from the previous year ($10.6 million). The contractor and consultant spend represents 7.0% of the total personnel expenditure in 2025/26.

Increased spending in 2025/26 reflects work on several major projects, including enhancements to the New Zealand Traveller Declaration, the introduction of new eGates, development of digital tools supporting the New Zealand Working Tariff, and implementation of the new Goods Management Levies framework.

Figure 3: Contractor and consultant spend



Spending on contractors and consultants increased significantly between 2021/22 and 2023/24, largely due to the resources required to develop and implement the New Zealand Traveller Declaration system.

PROTECTION

Prevent threats reaching New Zealand

Our objective: Make our country safer and more secure by managing the risks associated with the international movement of people and goods

Customs is responsible for managing a broad range of risks and threats at New Zealand's border – including the smuggling of illicit drugs, tobacco, and other harmful goods, cybercrime, the possession and trade of objectionable material, money laundering and financial crimes, and goods used to commit crimes involving dishonesty and intellectual property breaches.

We work with border and law enforcement agencies in New Zealand and around the world to target the activities of transnational, serious, and organised crime (TSOC) groups and other criminal activity, preventing harm reaching our communities.

We work in partnership with national and international customs and law enforcement agencies to target and disrupt the activities of TSOC groups and other criminal activity.

We achieve our objective by:

- reducing the ability of TSOC groups to operate across our border and in our region
- reducing social harm to our communities by identifying and seizing illicit and prohibited goods.

Key achievements

During 2025/26 we:

- prevented almost 13 tonnes of illicit drugs reaching our communities through seizures at our border and by overseas partners
- worked with national and international partners to intercept a record 4.2 tonnes of cocaine before it could reach New Zealand through Operation Kiwa
- launched new Remotely Operated Vehicles enabling underwater inspections of maritime vessels to detect any concealments that could contain illicit drugs or other goods
- intercepted more than 23 tonnes of illicit tobacco, a 155% increase on the 9 tonnes seized in 2024/25
- investigated reports of cross-border online child exploitation activity, resulting in the arrest of 21 offenders.

How we performed

We measure our performance through strategic indicators and output measures.

Strategic indicators

On-track Off-track

Our strategic indicators track the longer-term trends that will help us achieve our key priorities and objectives (pages 24 and 30).

Output measures

Achieved Not achieved

Our output performance measures provide an assessment of what we did with the funding we received during 2025/26. These measures are shown in the blue boxes in this section.

Reducing the ability of transnational, serious and organised crime groups to operate across our border and in our region

TSOC groups pose a significant threat to New Zealand and the Pacific through their efforts to smuggle large amounts of illicit drugs and other goods across borders, and their involvement in money laundering, fraud, and cybercrime. We work closely with national and international partners to share information and intelligence to detect, disrupt, and dismantle TSOC groups.

Key trends

Global illicit drug production has risen, lowering prices and increasing availability. TSOC groups are targeting legitimate trade routes through the Pacific to move cocaine, methamphetamine, and other illict goods as they expand into new markets and grow existing ones.

Methamphetamine remains the most commonly seized drug at the border. However, wastewater testing by PHF Science and reporting from the National Drug Intelligence Bureau show cocaine use in New Zealand has increased by 209% since June 2023. While cocaine use remains relatively low compared with methamphetamine, it is becoming more widespread, with increased consumption in both major cities and regional communities.

Organised crime groups use people with access to restricted areas and systems, such as port workers, airport ground crew, and logistics staff, to bypass security measures and divert goods away from screening areas. They are also recruiting young people through social media to act as drug couriers, offering free travel and money in exchange for carrying drugs in their luggage (page 55).

The sustained increase in TSOC activity causes significant social harm, undermines regional security, and poses a tangible economic threat to New Zealand's reputation as a secure trading partner.

In response, border agencies worldwide continue to adapt to new smuggling methods, adopt new technology, and strengthen information sharing and joint operations to disrupt organised crime networks.

Strengthening New Zealand's response to TSOC activity

The threat posed by TSOC groups, including domestic gangs and organised crime groups, is recognised in New Zealand's National Security Strategy. Customs shares responsibility with New Zealand Police for coordinating the Government's strategic response.

In December 2025, the Government released the updated Transnational, Serious, and Organised Crime Strategy 2026–2030. The Strategy and Action Plan aims to strengthen coordination across the 27 agencies involved in New Zealand's response to TSOC activity, with an initial focus on improving accountability and information sharing across government and building community resilience.

The Strategy draws on recommendations from the Ministerial Advisory Group on Transnational, Serious, and Organised Crime and wider work across the Justice sector to address organised crime and drug-related harm. The Action Plan is designed to focus resources on emerging risks and changing threat trends.

Customs contributes through our work at the border, intelligence sharing, international partnerships, and efforts to disrupt criminal profits. By strengthening coordination across government, the Strategy aims to make New Zealand the hardest place in the world for organised criminal groups and networks to do business and cause harm.

Read more about the Transnational, Serious, and Organised Crime Strategy 2026–2030:

www.police.govt.nz/about-us/publication/transnational-serious-and-organised-crime-tsoc-strategy-and-action-plan-2026

Strategic Indicator

Preventing harm reaching New Zealand

Desired trend: International partnerships support intelligence sharing and joint operations targeting TSOC activity
Actual trend: On-track

A key part of our response to TSOC activity is disrupting criminal networks and smuggling activity before it reaches New Zealand. We work with international partners to share intelligence and coordinate activity targeting TSOC groups. In 2025/26, this cooperation prevented almost 6.4 tonnes of illicit drugs from reaching New Zealand.

Organised crime groups in Central and South America have rapidly expanded their reach and influence in the Pacific, moving illicit drugs and other goods to and through the region.

During the first six months of 2026, customs and law enforcement agencies across the Pacific seized more than 17 tonnes of illicit drugs, most of it cocaine. This included almost 2.6 tonnes seized by Fiji Police from a suspected narco-submarine, a specialised vessel designed to avoid surface detection systems. Other vessels have attempted to avoid detection by disabling location systems.

In January 2026, Customs, the New Zealand Defence Force and the Government Communications Security Bureau began Operation Kiwa, an enduring joint maritime campaign targeting and disrupting illicit drug shipments and TSOC activity in the Pacific.

Operation Kiwa combines the resources and expertise of the three agencies to improve awareness of regional threats and strengthen monitoring of suspect vessels. Together with the Ministry of Foreign Affairs and Trade, we will build closer partnerships with Pacific customs and law enforcement agencies as they respond to the impact TSOC activity is having in their own countries.

This complements Customs-led training and development programmes across the Pacific and Southeast Asia, helping strengthen regional capability and support a coordinated response to TSOC threats.

International collaboration leads to the seizure of 4.2 tonnes of cocaine

Operation Kiwa had an immediate impact, contributing to the largest ever seizure of cocaine destined for, or transiting through, New Zealand in February 2026.

Working with international partners, New Zealand agencies alerted French authorities to a vessel of interest transiting through French Polynesian waters. The French Navy, together with French Customs and Police, was then able to locate and search the vessel. The search uncovered 174 bales of cocaine, totalling more than 4.2 tonnes. The drugs were seized and destroyed.

This seizure demonstrates the scale of the problem facing Pacific nations. As a comparison, over the last four years New Zealand Customs, together with our overseas partners, seized an average of 1.9 tonnes of cocaine a year destined for New Zealand.

French officials with the 4.2 tonnes of cocaine seized in February 2026. Photo courtesy of the High Commission of the Republic in French Polynesia Haut-commissariat de la République en Polynésie française.

Customs has a network of overseas liaison officers in key partner countries to support intelligence sharing and operational activity targeting TSOC groups and stronger trade relationships. Through Budget 2026, four new liaison roles will be established, with the first two expected to be in place in Fiji and Colombia during 2026/27 to support efforts to disrupt the flow of drugs through the Pacific.

Overseas drug interceptions

Figure 4: Potential harm to New Zealand avoided by overseas illicit drug interceptions by region

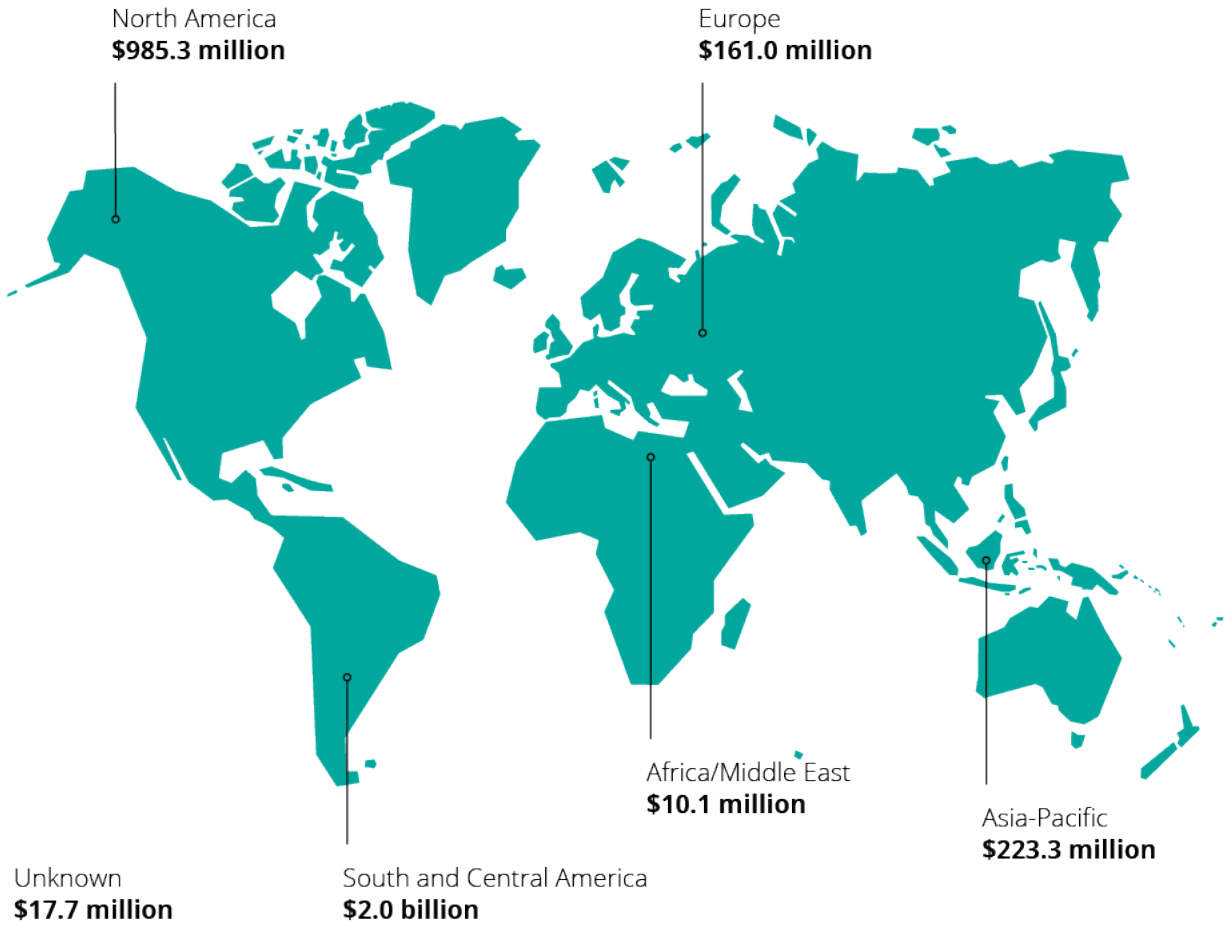
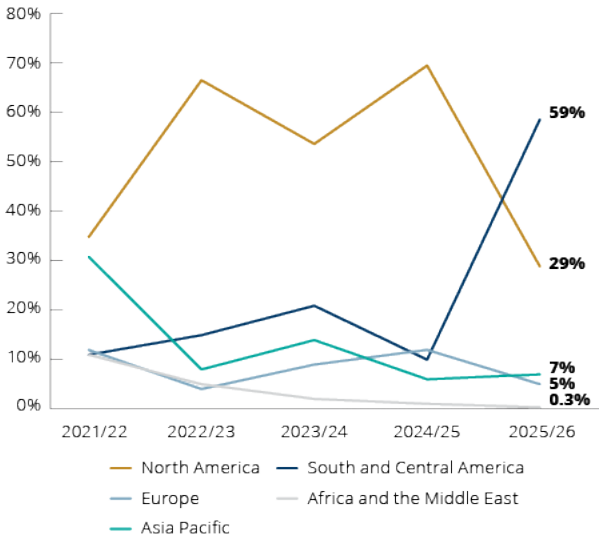


Figure 5: Overseas illicit drug harm prevented by area as a percent of total overseas seizures



Supporting Pacific partners response to escalating TSOC activity

The scale and pace of TSOC activity across the Pacific continues to increase.

We work closely with customs and law enforcement agencies across the region to lift capability, support local responses to emerging threats, and enhance regional cooperation.

During 2025/26, we strengthened partnerships through a range of initiatives.

In March 2026, we signed a new Customs Cooperative Arrangement with Samoa Customs, providing a formal framework for law enforcement cooperation and information sharing. Through the Customs Sector Development Programme, delivered in partnership with the Ministry of Foreign Affairs and Trade, we also worked with Tonga Customs to update its legislation in response to the changing threat environment and initiated the construction of a purpose-built detector dog facility to enhance targeting of high-risk vessels and cargo.

Alongside this work, we continue to invest in leadership, capability, and operational training across the region. This included leadership development programmes in Fiji, Samoa, Guam, and the Commonwealth of the Northern Mariana Islands, as well as specialist programmes focused on investigation skills, synthetic drug trafficking, and domestic methamphetamine manufacture (Clan Lab Awareness) training for officers from across the Pacific.

These activities help partner agencies build the skills, systems, and relationships needed to respond to the specific TSOC threats affecting their communities while enhancing regional efforts to disrupt organised crime networks.

Disrupting drug shipments before they reach the Pacific

A large proportion of the illicit drugs being shipped through the Pacific and on to Australia and New Zealand come from South America.

In May 2025, agreement was reached to establish a new International Joint Investigations Team in Colombia to gather evidence about illicit drug shipments and help stop drugs reaching our region. The new team, which is jointly funded by the Australian Federal Police, Australian Border Force, New Zealand Police, and New Zealand Customs, is one of the actions in the TSOC Action Plan.

Together with the planned establishment of a new Customs Counsellor post in Colombia, which will enable greater information sharing and joint operational activity in South America, this work aims to strengthen relationships with international partners and target drug trafficking closer to the source.

Targeting organised crime through regional training

TSOC networks operate across borders, making regional cooperation essential. Customs works with New Zealand Police and other agencies to deliver practical training on intelligence gathering, investigations, and coordinated responses to regional TSOC threats.

During 2025/26, training was delivered across Southeast Asia, including a two-week programme for border and law enforcement agencies from ten countries, advanced intelligence training for officers from Thailand and Laos, and investigation skills training for officers from Malaysia, Brunei, and the Philippines.

These courses strengthen both operational capability and the relationships that support joint operations.

Enhanced screening programme targets maritime-based TSOC activity

TSOC groups exploit legitimate supply chains to move illicit goods. This can include concealing drugs within cargo or shipping containers, or using the 'rip-on/rip-off' method, where bags of illicit goods are added to legitimate shipments and removed before reaching screening areas. These activities could undermine New Zealand's reputation as a secure trading partner.

During 2025/26, we introduced an enhanced risk profiling and cargo screening programme to address rising drug smuggling, particularly on vessels from South and Central America. Building on successful trials at the Ports of Tauranga and Lyttelton in 2024/25, the increased screening, alongside increased port patrols and targeted enforcement operations, has been implemented nationwide.

In 2025/26, we x-rayed and/or manually searched almost 13,000 shipping containers. This level of risk-based targeting (3% of containers) aligns with the proportion of further intervention of trade and travellers. (See output performance measures on pages 43 and 54).

Significant finds at New Zealand ports include:

- **June 2026:** 100 kg of cocaine found in a refrigerated container from Chile that had transited through Peru, Colombia, and Panama before reaching New Zealand
- **March 2026:** 134 kg of pseudoephedrine concealed in industrial equipment shipped from India
- **December 2025:** 53 kg of cocaine found in plastic-wrapped bags hidden among legitimate goods in a container that originated in the United States and had transited through Panama
- **October 2025:** 35 kg of cocaine found concealed in the refrigeration unit of an empty container – this was the first major cocaine intercept from a ship arriving in Dunedin.

Through Budget 2026, the Government invested nearly $43 million to upgrade and expand our cargo screening equipment. The new equipment will make it easier to identify more complex concealments and screen more cargo.

Cargo screening supports major methamphetamine seizure

In June 2025, Customs and the New Zealand Police identified shipments of machine parts from Canada as suspicious, due to links with members of a New Zealand criminal gang.

Although no drugs were found in the initial shipments, imports continued to be monitored. In August 2025, Customs screening identified 124 kg of methamphetamine destined for the same group. A controlled delivery of the drugs led to the arrest of seven people.

The group had made extensive preparations to receive the drugs, including hiring a rental truck and fork hoist to assist them. As a result of the investigation, we also seized around $36,000 in cash and a small amount of cocaine.

New technology improves search capability

At least 20 vessels arrive in New Zealand ports each month with the potential for underwater concealments. These hidden spaces can be used by TSOC groups to transport illicit drugs. Inspecting vessels below the waterline is one of the most challenging aspects of vessel searches.

In May 2026, we launched three new Remotely Operated Vehicles (ROVs), enabling underwater inspections to be carried out safely without putting staff at risk. The ROVs allow more vessels to be inspected and enable specialist dive teams to focus on recovering concealed drugs. They are also compatible with equipment used by the Royal New Zealand Navy and Australian Border Force, supporting joint operations.

Changes in monitoring arriving maritime vessels

In Budget 2023, we received additional funding to strengthen our capability across all sea ports and maritime craft to enhance the collection of intelligence and risk mitigation. In addition to expanded port activity and new technology, we also monitor and assess the frequency and outcomes of planned and secondary interactions with arriving maritime craft.

On average, 2,500 commercial and 500 small craft arrive in New Zealand each year. Around 75% of small craft arrive in the summer months (October–December).

The changes to the focus and frequency of operational activities, such as increased engagement with commercial craft, reflect the level of operational activities necessary to address the threat in the maritime environment. From 2026/27, we have amended our output performance measures to reflect this.

Monitoring threats in the wider maritime environment

The National Maritime Coordination Centre (NMCC) is New Zealand's central hub for civil maritime patrol and surveillance coordination. The NMCC brings together information from across government to build a shared picture of activity in New Zealand's waters, helping agencies identify potential risks and task patrol and surveillance assets where they are most needed.

Customs leads operational activity for the NMCC, while the Ministry for Cities, Environment, Regions and Transport leads the development of maritime security policy. The NMCC is actively supporting the multi-agency Operation Kiwa (page 24) targeting TSOC activity in the Pacific.

Output performance measures		
OC3.04: Percentage of arriving commercial marine craft assessed as high risk that are subject to planned interaction while in a New Zealand port (Standard: 100%)		
Actual Performance	**2024/25** 100%	**2025/26** 100%
OC3.05: Percentage of all arriving commercial marine craft that are not assessed as high risk that will be subject to Customs secondary interaction[1] (Standard: 10%)		
Actual Performance	**2024/25** 13.3%	**2025/26** 27.3%
OC3.06: Percentage of all arriving small craft subject to Customs secondary interaction[1] (Standard: 50%)		
Actual Performance	**2024/25** 54.3%	**2025/26** 52.5%
From 2026/27, performance will be represented through the proportion of arriving craft that are subject to physical activities to detect and respond to risk or gather intelligence (25% of commercial craft and 25% of small craft).		
OC2.13: Percentage of requests accepted by the National Maritime Coordination Centre which are assigned within 31 days (Standard: 95%)		
Actual Performance	**2024/25** 100%	**2025/26** 100%

Working with industry partners to disrupt organised crime

Businesses involved in moving, storing, and clearing goods – including freight companies, courier services, storage facilities, ports, and airports – play an important role in identifying and reporting suspicious activity.

Through our Border Protect programme, we work with industry partners to raise awareness of the threats posed by criminal activity in the supply chain and the signs to look out for. During 2025/26, the Border Protect Supply Chain Team made more than 1,000 visits to businesses.

As a result, we received 744 referrals, including 501 about suspect shipments or unusual activity. This intelligence contributed to 83 drug seizures, including more than 182 kg of methamphetamine, along with GBL/GHB, ketamine, MDMA, pseudoephedrine, and ephedrine. We also seized more than 3.5 million cigarettes and 130 kg of loose tobacco products.

In addition, a referral from a supply chain partner led to the seizure of approximately 79 kg of methamphetamine in the United States.

Building stronger connections in the maritime sector

During 2025/26, we expanded our work with businesses, individuals, and groups operating in ports and along the coastline to help identify suspicious activity.

These partnerships resulted in a wide range of referrals, including reports of unidentified white powder, container seals not matching documentation, suspected container tampering, cigarette smuggling, and suspicious packages. In one case, a suspicious package found during routine maintenance of a shipping container was reported to Customs and identified as a brick of cocaine. A subsequent search of the container located a second brick, resulting in the seizure of approximately 2 kg of cocaine.

By recognising and reporting suspicious activity, industry partners helped prevent harmful goods from reaching New Zealand communities.

1 'Secondary interaction' means any interaction undertaken over and above the initial boarding and clearance function and may range from talking to the crew to a full rummage.

Readiness to respond to significant events

Customs is a member of the National Security Board. We are responsible for coordinating the response to national security threats at the border.

Alongside our work targeting transnational crime and the smuggling of illicit drugs and firearms, we help manage a broader range of border security risks. This includes people smuggling, human trafficking, espionage, terrorism, and violent extremism. We also work with the Ministry for Primary Industries and Health New Zealand to monitor biosecurity and public health threats that may need to be managed at the border.

Preparing for Exercise Maru

The Proliferation Security Initiative is a multinational effort to prevent the trafficking of weapons of mass destruction, their delivery systems, and related materials, with a particular focus on maritime activity that may assist the spread of these weapons and material.

Each year, countries across the Asia-Pacific region participate in an exercise programme to test and refine response plans through tabletop and live action scenarios. New Zealand will host the annual exercise, Exercise Maru, in November 2026. Planning is led by the Ministry of Foreign Affairs and Trade, with support from Customs, the New Zealand Defence Force, and Maritime New Zealand.

Customs is leading the development and delivery of the tabletop exercise and will play a key role in planning, logistics, and event delivery. Two trials of the exercise will be held ahead of the November event, which will help refine the final design.

Supporting the National Resilience System

Our national security and border responsibilities require us to be ready to respond to a wide range of significant events and natural disasters or emergencies.

We regularly participate in the National Exercise Programme under the National Risk and Resilience Framework, led by the Department of the Prime Minister and Cabinet. The programme tests how agencies would respond to national disasters and strategic crises.

During 2025/26, we supported the Mass Arrivals exercise programme led by the Ministry of Business, Innovation and Employment (MBIE). A mass arrivals event would require a significant operational response from Customs. We supported MBIE to develop response plans, parts of which were tested and refined by MBIE through the exercise programme.

Testing the national response to a major space weather event

Natural hazards and emergency events are not limited to earthquakes, storms, or other events on Earth. Space weather, including solar storms and other activity from the sun, can also have significant impacts.

In November 2025, the National Emergency Management Agency ran an exercise based on a space weather event affecting New Zealand's power grid. The exercise tested how agencies would respond to maintain critical services and ensure that the country was able to continue functioning. For Customs, this included ensuring trade and travel was facilitated as quickly as possible.

Exercises like this help ensure agencies are prepared to respond to large-scale events and continue delivering essential services during periods of disruption.

Read more about the National Risk and Resilience Framework at:

www.dpmc.govt.nz/our-programmes/risk-and-resilience/national-risk-and-resilience-framework

Reducing social harm to our communities

We use intelligence, data analytics, and risk management to target the people, goods, and craft most likely to be a threat to New Zealand's border. Customs officers screen passengers, mail items, and goods shipments, physically examine suspect items, and carry out investigations to identify people moving illicit goods across the border.

Strategic Indicator

Prevent potential harm through illicit drug seizures

Desired Trend: Increase the amount of potential social harm prevented through onshore and overseas illicit drug seizures

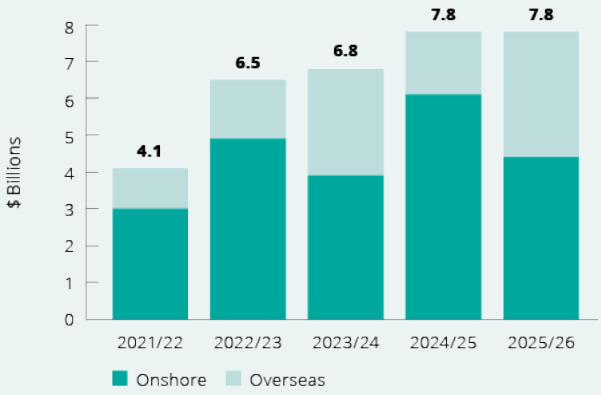
Actual Trend: On-track

We prevent harm by stopping illicit drugs at the border (onshore) or working with partner agencies to seize drugs before they reach New Zealand. Social harm is measured using the National Drug Intelligence Bureau Harm Index, which gives a cost to the harm experienced by individuals and communities.

We prevented $7.8 billion in potential social harm during 2025/26. This is similar to the harm prevented in 2024/25 and a 92% increase over five years.

Almost $3.4 billion in prevented harm was from seizures by overseas partners; this is double from last year.

Figure 6: Potential harm avoided through illicit drug seizures[2]



High prices and demand drive organised crime activity

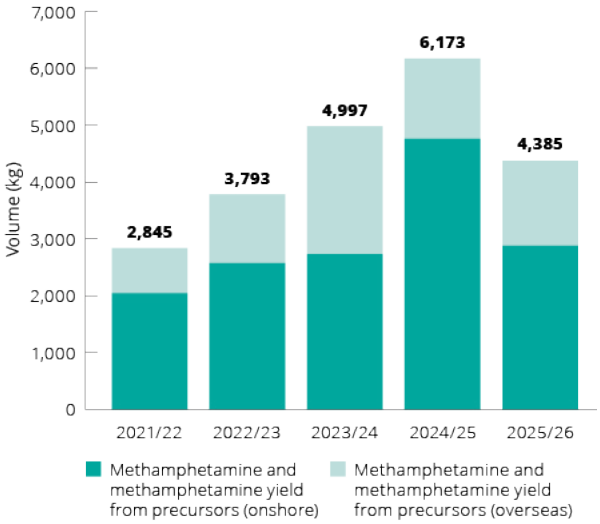
New Zealand remains an attractive destination for TSOC groups due to the high prices and demand for illicit drugs.

As a result, we continue to see a wide range of smuggling methods, shipment sizes, and source countries. Seizure volumes can fluctuate from year to year as criminal groups adapt their approach and target different drug markets.

Methamphetamine seizures dropped, but community use remained steady

Methamphetamine remains the most frequently seized drug at New Zealand's border. Wastewater testing indicates that methamphetamine consumption remained consistently high in 2025/26. This year's average consumption was 5% higher than last year, but more than double the average result from 2023/24.

Figure 7: Methamphetamine seizures by Customs and overseas partners



2 All of the 2025/26 drug totals in this report and the associated drug harm values based on those totals are preliminary figures based on our initial weighting and recording of interceptions. These figures may change. Previous year totals are different from those reported in the New Zealand Customs Service Annual Report 2025 as those were provisional figures that have now been finalised.

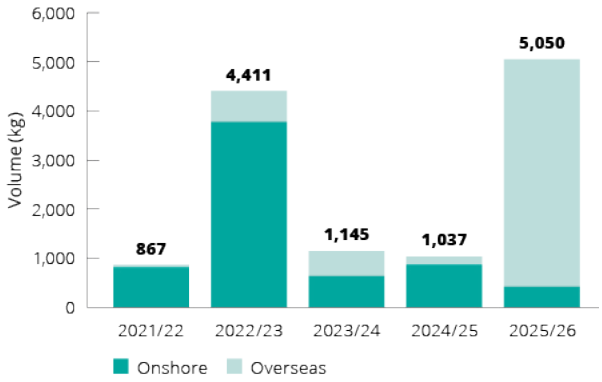
Methamphetamine, including methamphetamine yield from precursors (drugs used to create methamphetamine such as pseudoephedrine), has one of the highest social harm values. The nearly 4.4 tonnes seized prevented $4.6 billion in potential social harm for the year.

We continually review our intelligence, risk-targeting, and border control settings to identify changes in smuggling patterns and respond to new methods as they emerge. We also work with our international partners to understand the trends and patterns they are seeing. Information gathered through seizures, investigations, and intelligence from partner agencies helps identify the people and networks involved and strengthen future targeting and enforcement activity.

Cocaine seizures spike

There was a significant spike in the volume of cocaine seized during 2025/26, largely due to the record seizure of 4.2 tonnes in the Pacific as part of Operation Kiwa in February 2026 (page 24). This exceeded the previous largest seizure of 3.3 tonnes of cocaine in February 2023. These increasingly large seizures demonstrate the growing scale of organised criminal activity in the Pacific.

Figure 8: Cocaine seizures by Customs and overseas partners



Cocaine was intercepted across all import streams, including with passengers, in baggage, in air and sea cargo, and small quantities imported through mail or small courier packages. While the number of seizures decreased by 65% compared to the previous year, the volume of cocaine within those seizures rose by 387%.

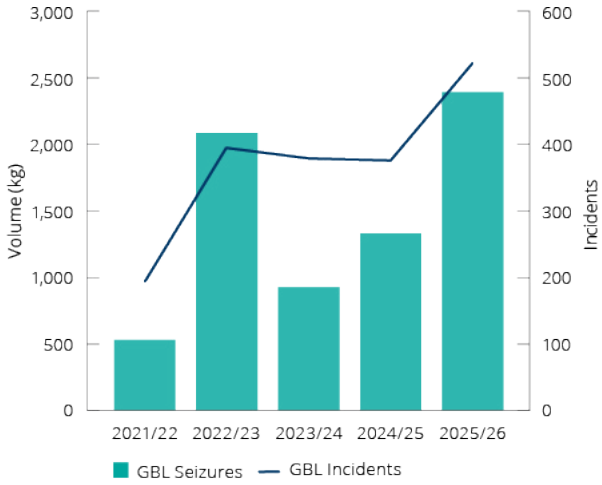
Overall, wastewater testing indicates consumption of cocaine remains relatively low, but use in some communities has increased.

Intercepts of other illicit drugs

The range of other illicit drugs seized is increasing, with GBL (fantasy), MDMA (ecstasy), ketamine, and LSD being the most commonly seized drugs after methamphetamine and cocaine.

We have seen a significant increase in the frequency and volume of GBL seizures over the past five years, with a record seizure of 1,920 litres of GBL in August 2025.

Figure 9: GBL seizures and incidents



We also made a record seizure of LSD in July 2025. While the volumes may not seem large when compared to other illicit drugs, LSD is a potent psychoactive substance where the average dose is 75-150 micrograms (1/1000 of a gram).

Table 1: Other commonly seized illicit drugs[3]

Drug type	2024/25 (confirmed)	2025/26 (preliminary)
MDMA	493 kg 55,392 items 127 litres	304 kg 8,318 items 42 litres
Ketamine	338 kg 55 items 10 litres	292 kg 13 items 7 litres
LSD	0.1kg 13,297 blotters	0.3 kg 24,298 blotters

3 Depending on how illicit drugs are processed, they can be measured by weight (kg), number of items seized, or volume (litres).

Wastewater testing helps inform risk targeting

The National Drug Intelligence Bureau conducts wastewater analysis, providing Customs with an indication of illicit drug use levels across New Zealand. Consumption of methamphetamine, cocaine, heroin, MDMA, and fentanyl are tested for one week each month across the sites by the New Zealand Institute for Public Health and Forensic Science

Wastewater data is an indication of the domestic illicit drug supply available for consumption, and that information, in turn, helps inform border responses.

Understanding emerging risks in the illicit drug trade

Internationally, synthetic opioids such as fentanyl and nitazenes, along with other controlled substances and new psychoactive substances, are increasingly being mixed with illicit drugs including methamphetamine, cocaine, and MDMA. These substances can increase profits for drug manufacturers and distributors while significantly raising the risk of harm.

While synthetic opioid use remains relatively uncommon in New Zealand, community drug checking has identified nitazenes in some drug mixtures. These substances can be more potent than the drugs they are mixed with (such as cocaine), increasing the risk of unintentional serious harm.

To better understand this emerging risk, Customs worked with the New Zealand Institute for Public Health and Forensic Science to test all illicit drugs seized at the border. The testing began in April 2026 and is expected to be completed in August 2026. So far, the programme has found no evidence of opioids being added to the drugs tested, and relatively low levels of other harmful substances used as cutting agents.

While these findings are encouraging, they do not mean New Zealand is immune from this growing international trend. Information gathered through the programme is being used to support the national drug early warning system and inform ongoing operational activity targeting drug importers, distributors, and their overseas networks. During 2025/26, Customs worked with the New Zealand Police to secure a small amount of fentanyl in the community that would have caused significant harm.

Disrupting low volume, high frequency smuggling attempts

Not all significant drug smuggling involves large consignments. Small seizures often reveal ongoing efforts by individuals and criminal groups to import drugs through multiple shipments over time. Budget 2025 invested additional funding to strengthen Customs' ability to identify and disrupt smaller distribution networks before they become further established.

In two notable cases, a 43-year-old Masterton man was arrested in November 2025 following an investigation into a series of seized packages containing approximately 10 kg of methamphetamine concealed in a painting and roller-skate knee pads. The packages were sent to multiple addresses, using a 'scatter gun' approach in an unsuccessful attempt to avoid detection.

In September 2025, a 31-year-old Waihi man was arrested after a multi-agency investigation involving border and law enforcement agencies from New Zealand, the United States, Pakistan, Thailand, and Australia. In total, agencies identified 25 separate packages, containing approximately 28 kg of methamphetamine.

Customs shares information on seizures and intercepts with New Zealand Police. This helps identify patterns of offending that may not be visible from a single border interception. By alerting Police to drug seizures or suspicious packages linked to particular communities, they can monitor local activity, gather intelligence, and prosecute offenders.

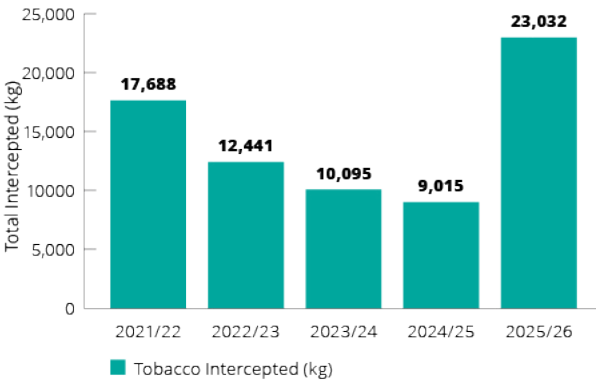
Illicit tobacco seizures continue to rise

New Zealand has one of the world's highest retail prices for tobacco products. This makes tobacco smuggling lucrative and a growing market for organised crime groups.

It is hard to accurately quantify the full size of the problem, as illicit markets are difficult to measure. However, seizures of illicit tobacco are rising, and illicit cigarettes are being sold more widely through retail channels. During 2025/26, more than 23 tonnes of illicit tobacco was intercepted, a 155% increase on the 9 tonnes intercepted in 2024/25.

In May 2026, a new cross-agency Illicit Tobacco Action Group was established, bringing together Customs, New Zealand Police, the Ministry of Health, and Health New Zealand. Tobacco regulation and enforcement responsibilities are complex and spread across multiple agencies and pieces of legislation. The Action Group will improve planning, information sharing, and joint operations through Operation Firebreak, strengthening the response to illicit tobacco activity.

Figure 10: Volume of tobacco interceptions



Notable seizures during 2025/26 include:

- **March 2026:** a man was arrested after 225,000 illicit cigarettes were found concealed among tea and coffee in a shipment from Malaysia
- **October 2025:** 1.3 tonnes of loose tobacco was discovered inside a shipment of 950 seat cushions sent from China
- **November 2025:** two men were arrested in Auckland after an investigation found more than 1.5 million cigarettes and approximately $500,000 in cash in storage facilities and residences across Auckland
- **August 2025:** a man was arrested for importing 927,000 cigarettes after two separate shipments from China were intercepted, with the illicit cigarettes declared as clothes.

See page 48 for more information on the impact of tobacco smuggling on revenue evasion.

Joint activity results in the seizure of 1.5 million illicit cigarettes

In late 2025, a Crimestoppers tip-off led to a six-month Customs-led operation targeting a network importing and distributing illicit tobacco across Rotorua, Waikato, and Auckland.

The multi-agency investigation resulted in the arrest of six people and the seizure of more than 1.5 million cigarettes and approximately 15 kg of tobacco, representing more than $2.4 million in evaded revenue, along with nearly $192,000 in cash. Eight retail outlets were searched, and investigators found evidence that the network was seeking to expand distribution by recruiting additional retailers.

The investigation highlights the importance of coordinated action targeting the importing, storage, and distribution of illicit tobacco. The new Illicit Tobacco Action Group will further strengthen information sharing, planning, and joint enforcement action targeting the organised crime groups behind this trade.

Illicit cigarettes seized in June 2026.

Targeting financial crime and money laundering

Targeting the financial profits from criminal activity is an important part of our work to disrupt and dismantle TSOC groups. Our Financial Crime Unit investigates and prosecutes offences involving trade-based money laundering and cash smuggling.

In November 2025, a New Zealand man was arrested after Customs officers found AU$550,095 hidden under the carpet of a rooftop tent. The subsequent investigation identified further offending and collaboration with the New Zealand Police resulted in residential property, vehicles, bank funds, and cash being restrained under the Criminal Proceeds (Recovery) Act 2009.

Investigations like these highlight the importance of financial investigations in building a more complete picture of organised criminal activity.

Monitoring cash movement to target money laundering

Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, we are responsible for monitoring and reporting the movement of large sums of cash across the border. Passengers carrying more than NZ$10,000 must complete a Border Cash Report.

During 2025/26, we identified over

$11.1 million

in undeclared cash at the border (compared with nearly $9.4 million in 2024/25).

As criminal groups increasingly use both cash and digital assets to move and conceal funds, we continue to adapt our approach to financial crime. We have begun exploring how cryptocurrency tracing tools could support investigations into money laundering and other financial crime by helping identify suspicious patterns and track the movement of funds. We are also working with Inland Revenue on financial crime risks, including border cash movements and the proceeds from illicit tobacco.

Preventing the spread of child exploitation and objectionable material

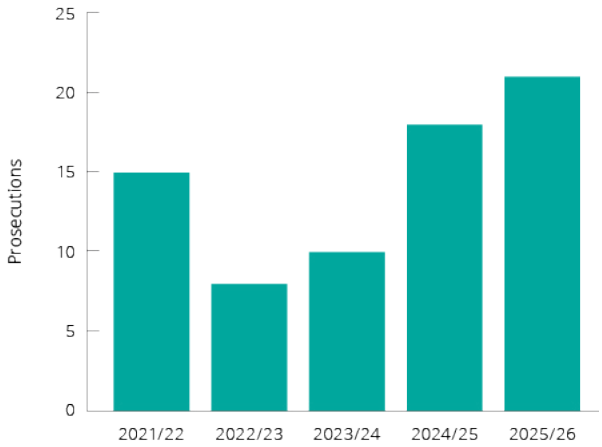
The internet and digital communications create a rapidly expanding means of sharing images and videos of child sexual abuse. This has changed both the method and quantities of such material crossing our physical and digital border.

New technology increases the level of encryption available for users, making it harder to detect, while AI is being used to create abuse material from text prompts or photos, including increasingly sadistic material. This is a concerning development with distinct and disturbing harm for victims and communities.

Customs works with the New Zealand Police and the Department of Internal Affairs to investigate and prosecute the trade in child sexual exploitation material. During 2025/26, our Child Exploitation Operations Team received, reviewed, or acted on 1,126 reports of cross-border online child exploitation offending by New Zealanders.

These investigations led to the arrest of a record 21 people for importing or exporting objectionable publications.

Figure 11: Arrests and prosecutions relating to the trade in child exploitation material



Using data analytics to identify offenders

New Zealand agencies receive tens of thousands of reports every year alleging online sharing of child exploitation material. Customs officers use information from these reports to identify people suspected to have committed border offences and support investigations into online child sexual exploitation offending.

In 2024, we automated this process using a tool developed through the Joint Border Analytics capability (page 36). The new tool automates search functions across Customs datasets and has enabled us to accurately and rapidly identify suspects, most of whom would not previously have been identified due to the lengthy manual analysis required. Where appropriate, this information can then be shared with partner agencies like New Zealand Police and the Department of Internal Affairs to help those agencies investigate offenders and prevent further harm.

Collaboration with Australian officials leads to an arrest for exporting child sexual abuse material

In January 2026, Customs Child Exploitation Operations Team identified a crew member aboard a cruise ship who had exported child sexual abuse material while sailing through Fiordland.

By the time the suspect had been identified, the vessel was heading for Australia. Customs officers provided the information to the Australian Border Force who boarded the vessel on arrival in Australia. Australian officials found the abuse material on his devices and arrested the man.

Interagency collaboration together with smart systems allow us to better target and intercept offenders, preventing further harm to the victims and our communities.

Intercepting illegal firearms, weapons, and other prohibited items

We are responsible for monitoring the importation of lawful and restricted firearms and firearm parts under approved permits. Where the permit requirements are not met, we seize the item.

During 2025/26 we intercepted:

121

restricted firearms

4,881

firearm parts/ammunition

3,362

controlled weapons

(compared with 494 restricted firearms, 17,581 firearm parts or ammunition, and 623 other controlled weapons in 2024/25).

We also play a role in preventing trade in intellectual property and endangered species. In 2025/26:

25

incidents of stolen intellectual property rights resulted in the interceptions of 790 items

177

incidents breaching the Convention on International Trade in Endangered Species (CITES) intercepted 61,417 items.

Enhancing border security through data and intelligence

We use data, intelligence, and risk assessment tools to identify people, goods, and craft that may pose a risk at the border. This helps us focus our resources where they will have the greatest impact.

Output performance measures		
OC1.07: Number of import trade entries that are subject to risk-based physical examination (Standard: 18,000–22,000)		
Actual Performance	**2024/25** 18,759	**2025/26** 19,968
OC1.08: Result rate of physically examined import trade entries[4] (Standard: 5–10%)		
Actual Performance	**2024/25** 9.4%	**2025/26** 7.0%

Through the Joint Border Analytics (JBA) partnership with the Ministry for Primary Industries and the Ministry of Business, Innovation and Employment, we bring together experts, data, and analytics to better understand border risks and support operational and strategic decision-making.

During 2025/26, JBA provided modelling and impact analysis on passenger movements to support the planned roll out of next generation eGates across New Zealand's international airports. JBA also developed a forecasting tool that helps predict passenger volumes at Auckland International Airport, ensuring that sufficient staff are in place during peak travel periods.

JBA introduced a new maritime risk profiling tool that automatically analyses container journey information and helps our officers prioritise sea containers for inspection. Automating this process replaced a time-consuming manual assessment, allowing officers to focus their efforts on higher-risk shipments.

Risk assessment of mail items

Since April 2025, international mail has been processed through New Zealand Post's Auckland Processing Centre, predominantly using Data for Mail, a new system that receives information about incoming mail before it arrives in New Zealand.

The Auckland Processing Centre incorporates new technology, which allows Customs and the Ministry for Primary Industries to screen and process international mail more effectively.

New Zealand receives information about mail coming from other Universal Postal Union member countries before it arrives at our border. This allows us to automatically risk assess items to identify the ones that require duty payments or items that may present a risk to our communities.

In 2025/26, 5.5 million mail consignments were lodged through Data for Mail. Following risk assessment:

- 99.4% were considered compliant and cleared before arrival
- 19,643 required duty payments
- 9,121 were flagged for further risk assessment or examination
- 4,146 were prescription medications referred to MedSafe
- 2,192 were referred to Customs Assurance programme (see next section).

Further enhancements to reporting will provide better information about the outcomes of the actions taken on mail items and the risk rules that triggered them.

4 Result rate relates to the successful identification of prohibited or restricted goods.

Random sampling provides assurance our risk targeting methods are effective

Our Assurance Programme randomly selects a sample of the trade goods, mail, and people crossing the border for further assessment. This testing helps confirm that our risk-based targeting methods are focused on the areas of greatest risk and that people and goods crossing the border are compliant with all requirements. The assurance programme can also identify previously unidentified threats and improve our targeting approach.

The programme uses robust, statistically valid sampling methods.

Output performance measures		
OC1.09: Number of import transactions selected for random interventions (under Customs' Assurance programme[5] (Standard: 6,750)		
Actual Performance	**2024/25** 7,090	**2025/26** 6,918
OC3.03: Number of arriving air and sea passengers selected for random interventions (under Customs' Assurance programme)[5] (Standard: 2,150)		
Actual Performance	**2024/25** 2,378	**2025/26** 2,378
The standards for Customs Assurance programme have been adjusted for 2026/27 based on forecasts of volumes and interventions (7,150 for trade and 2,350 for travellers). These are minimum standards to be a statistically significant sample of the measured population.		

Table 2: Compliance across assurance streams

Assurance stream	2024/25	2025/26
Mail	97.3%	99.0%
Fast freight	96.3%	94.9%
Air cargo	87.5%	86.4%
Sea cargo	93.9%	92.0%
Air passengers	99.3%	99.1%
Sea passengers	100%	100%

Compliance rates can fluctuate over time. During 2025/26 compliance rates from our random sampling generally remained high. Non-compliance identified this year was mostly minor and often related to matters such as documentation or administrative errors. Only nine, or 0.1% of random interventions, found serious non-compliance.

Longer-term patterns demonstrate consistent high compliance rates, providing assurance we are targeting the right areas to mitigate border threats.

5 This is a minimum standard to be a statistically significant sample of the measured population.

TRADE AND REVENUE

Support the efficient flow of trade and revenue collection

Our objective: Support the efficient flow of trade and revenue collection as goods cross our border, and the collection of excise duty on goods produced in New Zealand

New Zealand's economy is reliant on international trade. The efficient movement of legitimate trade goods across the New Zealand border and streamlining access for export goods into overseas markets are important components in achieving economic growth.

As well as ensuring our trade clearance processes are efficient, we need to make sure they are effective in identifying and preventing illicit and prohibited goods crossing the border. We also make sure that all required tax revenue is collected on behalf of the Government.

We achieve our objective by:

- facilitating the flow of international trade through strong relationships with trading partners
- making sure our systems and processes are easy to use
- ensuring non-compliance is identified and appropriately addressed.

Key achievements

During 2025/26 we:

- contributed to the negotiation and implementation of a Free Trade Agreement with India
- signed agreements with customs administrations in Malaysia and Saudi Arabia to make it easier and faster for export goods to reach key trade markets
- processed 31.6 million import and 4.1 million export transactions, with 99.3% cleared within five minutes
- collected $18.6 billion in Crown revenue on behalf of the Government
- implemented new Goods Management Levies to improve cost recovery for services that support the effective and efficient processing of trade and mail items as they cross the border.

How we performed

We measure our performance through strategic indicators and output measures.

Strategic indicators

On-track Off-track

Our strategic indicators track the longer-term trends that will help us achieve our key priorities and objectives (pages 42, 45 and 47).

Output measures

Achieved Not achieved

Our output performance measures provide an assessment of what we did with the funding we received during 2025/26. These measures are shown in the blue boxes in this section.

Facilitating the flow of international trade through strong relationships with trading partners

New Zealand's reputation as a trusted trading partner provides opportunities to influence global customs standards for trade and advocate for the rules-based trading system. Investing in relationships with our trading partners supports a coordinated approach to regional trade and security challenges, and reduces access barriers for exporters in overseas markets, saving them time and money.

Key trade trends

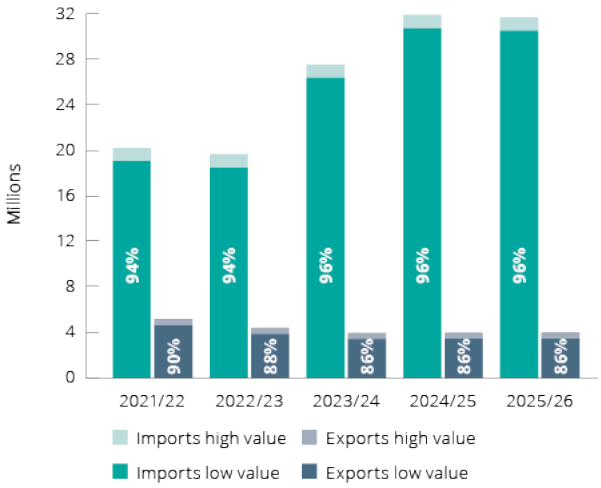
Online shopping continues to contribute to high volumes of low-value airfreight items imported into New Zealand. These smaller packages make up 96% of imported trade goods.

Overall import transaction volumes remained consistent with 2024/25, but have increased 56% over the last five years.

The volume of imported goods valued over $1,000 (high-value imports where we collect GST) increased 4.6% compared with 2024/25, while the value of duty collected on these imports increased 11%.

Export transaction volumes increased 2% compared with 2024/25.

Figure 12: Trade transactions for low (less than $1,000) and high (more than $1,000) value goods



Supporting economic growth through trade

New Zealand exporters and importers benefit from the relationships and agreements we have with our major trading partners.

Free Trade Agreements provide preferential access for New Zealand exports into overseas markets, reducing tariffs and non-tariff trade barriers for exporters.

Customs Cooperation Agreements increase information sharing and joint operations between customs administrations.

Mutual Recognition Arrangements reduce customs clearance times and costs into our largest export markets for exporters who meet best practice security standards.

New Free Trade Agreement with India

On 27 April 2026, India and New Zealand signed a Free Trade Agreement (FTA). India is a key trade partner for New Zealand and one of the world's largest economies, providing significant opportunities for export growth.

The Ministry of Foreign Affairs and Trade led the negotiations on behalf of the Government, while Customs led the negotiations of the Rules of Origin and Customs Procedures and Trade Facilitation chapters in the Agreement. The provisions contained in these chapters set out the conditions required to receive preferential treatment under the FTA and will help streamline border processes, reducing time and costs for exporters.

The FTA will reduce or eliminate tariffs on 95% of New Zealand's current exports to India. More than 50% of those exports will become tariff free once the agreement is ratified by both countries and enters into force.

To support the New Zealand-India Free Trade Agreement, Customs is working with India Customs to improve how trade information is shared between our two countries. This will help make trade smoother and more secure, while maintaining the checks needed to protect New Zealand's borders.

The first stage of this work is expected to be in place by the end of 2026. Future improvements will allow approved New Zealand exporters to self-declare the origin of their goods, helping reduce compliance costs and making it easier to do business.

Strengthening border security and trade cooperation with Saudi Arabia

In January 2026, Saudi Arabia and New Zealand signed a Memorandum of Cooperation to strengthen joint action on customs and border security issues.

Saudi Arabia is a key trading partner for New Zealand and the largest economy in the Gulf region. The agreement strengthens our relationship with the Zakat, Customs and Tax Authority. It will improve information sharing on trade, as well as the movement of people and goods known or suspected to be involved in customs-related offending, including smuggling and revenue evasion.

Increased engagement with partner agencies in Saudi Arabia and across the Middle East will help address trade barriers, improve the facilitation of trade goods through overseas ports, and strengthen border security cooperation.

Faster access for trade goods into key markets

Customs administrations around the world need to balance the efficient clearance of trade goods with processes that identify items that may pose a risk to their communities or economies.

Mutual Recognition Arrangements (MRAs) allow customs administrations to recognise each other's trusted trader programmes. MRAs enable exporters that meet recognised supply chain security standards to access faster clearance of trade goods in partner countries, reducing costs and delays.

On 10 September 2025, we signed an MRA with the Royal Malaysian Customs Department. Negotiations on the arrangement began in 2021, and its successful conclusion reflects the trust and confidence built in our respective border management systems.

In June 2026, we signed a joint work plan with Saudi Arabia's Zakat, Tax and Customs Authority to negotiate an MRA, building on the Memorandum of Cooperation signed earlier in the year. We are also negotiating an MRA with the United Arab Emirates. Both arrangements are expected to be completed by June 2027.

We now have MRAs with 13 trade partners: Australia, Canada, China, Hong Kong, India, Japan, Malaysia, the Republic of Korea, Singapore, Taiwan, Thailand, the United Kingdom, and the United States.

Recognising trusted traders

We validate exporters that meet international supply chain security standards through our Secure Exports Scheme, New Zealand's Authorised Economic Operator (AEO) programme.

Participating businesses must demonstrate that goods are packed, stored, and transported in line with the World Customs Organization's SAFE Framework. These standards help protect supply chains from tampering, smuggling, and other criminal activity.

Membership in AEO programmes allows exporters to access the benefits available under MRAs, including faster customs clearance in partner countries. As at 30 June 2026, there were 155 approved exporters in the Secure Exports Scheme.

In 2025/26, $27.7 billion of New Zealand's export trade was conducted through our AEO programme.

Figure 13: Export value through AEO Secure Exports Scheme

Providing on-the-ground assistance for exporters

We have a network of Customs Counsellors and Liaison Officers based overseas to strengthen relationships with key trade partners and cooperation on trade facilitation, border security, and customs matters (see map on page 66).

Our staff work closely with customs and border agencies to ensure Free Trade Agreements operate effectively and resolve technical and operational issues. They also provide practical assistance to New Zealand exporters facing customs-related issues, including customs clearance, documentation, and tariff classification requirements.

At the same time, these relationships support information sharing and joint activity to address customs offending and other cross-border risks.

Navigating complex international trade regulations

Trade regulations and tariff classifications can be challenging for exporters entering new markets.

During 2025/26, we worked with a business seeking to export a product to China that did not clearly fit any existing tariff classification. We provided advice on obtaining an advance ruling to confirm the correct classification and the steps needed to meet regulatory requirements. Together with advice from the Ministry for Primary Industries on food import registration in China, this support helped position the business to access a key export market.

Supporting traders through adverse events

International events can affect the cost and movement of trade goods with little warning. During 2025/26, changes to United States tariff policies affected New Zealand exporters, while fuel shortages and broader supply chain disruptions arising from the conflict in the Middle East affected both exporters and importers.

We worked with the Ministry of Foreign Affairs and Trade and other agencies to provide timely advice to businesses and identify supply chains at risk of disruption. This helped traders make informed decisions and prepare for potential impacts.

Where short-term disruptions affect the ability of a business to meet tax and duty obligations, we can establish payment arrangements that allow trade to continue while supporting ongoing revenue collection (see page 48). Despite increased costs and fuel-related disruptions during the year, we did not see a significant increase in requests for payment arrangements.

Rapid assessment provides certainty for traders

We use electronic documentation and automated risk assessment processes to facilitate compliant trade across the border.

Almost all traders receive a response to their trade lodgement within five minutes of submitting their documentation. This provides early certainty about any further actions that may be required before their goods can move across the border.

Strategic Indicator

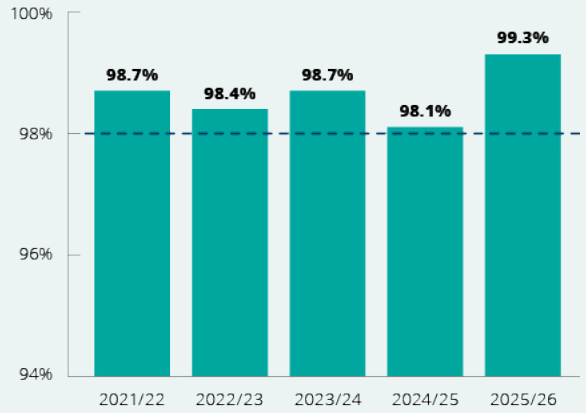
Processing trade transactions, considered compliant after risk assessment, within five minutes

Desired trend: Maintain 98% or higher

Actual trend: On-track

Customs facilitates the flow of international trade through efficient and effective systems, risk profiling, and communications. Customs' long-standing output performance measure provides an indication of the time delays a trader can expect from Customs in clearing their goods.

Figure 14: Processing trade transactions, considered compliant after risk assessment, within five minutes



Compliant trade is cleared quickly, usually before arrival

All items crossing New Zealand's border are assessed and screened before departure (for exports) and on arrival. Electronic import and export documentation, along with advance information on mail items, helps us identify goods that may require further assessment, inspection, or duty payments.

Most compliant trade is cleared before arrival, allowing goods to move across the border efficiently while enabling us to focus attention on higher-risk items.

Output performance measures		
OC1.01: Percentage of import transactions considered compliant after risk assessment (Standard: 98%)		
Actual Performance	**2024/25** 99.6%	**2025/26** 99.6%
The standard has been increased to 99% for 2026/27 to reflect operational frameworks, resources, and actual performance.		
OC1.02: Percentage of export transactions considered compliant after risk assessment (Standard: 99%)		
Actual Performance	**2024/25** 99.9%	**2025/26** 99.9%
OC1.03: Percentage of trade transactions (other than those referred for compliance checks) processed (including assessment against business rules and intelligence) within five minutes (Standard: 98%)		
Actual Performance	**2024/25** 98.1%	**2025/26** 99.3%
OC1.04: Number of companies that have joined or been revalidated through Customs' Authorised Economic Operator (Secure Exports Scheme) programme (Standard: 100–120)		
Actual Performance	**2024/25** 121	**2025/26** 111

2025 Time Release Study

We aim to run a Time Release Study every two years to assess the efficiency of our trade clearance processes. The Study is a World Customs Organization method used to assess the effectiveness of customs operations.

The 2025 Study covered goods arriving and leaving New Zealand on international cargo vessels and flights from Thursday 28 August to Wednesday 3 September 2025. It involved 12,039 import entries and 6,226 export entries.

A similar study was run in 2023, providing a comparable benchmark, although some refinements were made to improve data accuracy and analysis.

The 2025 Time Release Study found that:

- **98.5%** of import and export entries lodged were cleared within five minutes (compared with 98.8% in 2023)
- **95.4%** of full sea cargo container import entries were cleared before arrival into New Zealand (up from 93.9% in 2023)
- **86.2%** of air cargo entries were cleared before arrival into New Zealand (up from 78.3% in 2023)
- **89.4%** of export entries for full sea cargo containers were lodged at least 48 hours before loading on the vessel for export (up from 87.7% in 2023)
- **100%** of export entries for air cargo and sea cargo were cleared before departing New Zealand (the same as 2023).

Electronic lodgement of documentation through the Trade Single Window System before goods arrive in New Zealand is a key factor in our fast clearance times. A lower percentage of air cargo entries are cleared before arrival as traders and brokers have less time to submit their documentation once the goods leave an international airport.

Direct comparisons with other countries are difficult because customs requirements and study methodologies vary. However, our risk assessment processes and use of electronic import entries mean our clearance times remain among the fastest in the world.

Read more about the Time Release Study on our website:

www.customs.govt.nz/media/4pnpzvhj/time-release-study-2025-report.pdf

Influencing global customs policy and standards

Through our involvement in international forums, we help shape international customs policy, standards, and best practice. These forums allow us to collaborate on global or regional threats and promote New Zealand's interests.

Strengthening connections through the World Customs Organization

The World Customs Organization (WCO) is the global standard-setting body for customs matters relating to trade, security, and revenue. New Zealand has been a WCO member since 1963. Together, the 186 customs administrations manage more than 98% of world trade.

We contribute to several WCO committees and working groups, helping strengthen the rules-based trading system and shape international customs policy and practice.

Enforcement Committee

From April 2025 to March 2026, New Zealand Customs served as chair of the WCO Enforcement Committee.

The Committee leads international work on global standards for compliance, control, and intelligence activities, and encourages cooperation on combatting illicit drug trafficking, money laundering, revenue fraud, and transnational organised crime.

During the year, we supported a proposal led by the Australian Border Force to define the role of customs administrations in combatting trade-based money laundering. While the responsibilities of customs agencies vary across countries, this work will help strengthen international approaches to monitoring, targeting, and information sharing. This is important as trade-based money laundering is often a key way transnational, serious, and organised crime (TSOC) groups launder their profits.

Policy Commission

In July 2026, we began a two-year term on the WCO Policy Commission, providing opportunities to shape international customs policy and processes. We are also a member of the working group overseeing the SAFE Framework of Standards to Secure and Facilitate Global Trade, which sets the standards for AEO programmes (page 41).

Performance improvement working group

We contribute to the WCO Performance Measurement Mechanism, which aims to assess the efficiency and effectiveness of customs organisations internationally. In March 2026, member administrations completed the second-cycle self-assessment across a range of outcomes and key performance indicators. The WCO will complete an in-depth analysis of the data and report on global trends, strengths, and capacity-building needs.

Stronger relationships across Asia and the Pacific

We are a member of the Asia-Pacific Economic Cooperation (APEC) Forum and the Oceania Customs Organisation. These forums help promote trade facilitation, strengthen cooperation between customs administrations, and support the development of best practice standards.

Through APEC, we continued to lead work on technology-enabled trade facilitation such as the use of electronic trade documentation and the potential for automated declarations.

Through the Oceania Customs Organisation and other Pacific forums, we worked with regional customs and border agency partners on opportunities to strengthen collective responses to the growing threat posed by TSOC groups. Operation Kiwa (page 24) will build on this work by improving regional awareness of organised crime threats and strengthening operational cooperation across the Pacific.

Making sure our systems and processes are easy to use

User-friendly, digitised systems and processes support compliance with trade and revenue requirements and make it easier for individuals, traders, and businesses to work with Customs.

Tariff modernisation project

We maintain the New Zealand Working Tariff Document, which is used to classify goods and calculate duty payments. The Tariff helps ensure New Zealand correctly applies and collects duties at the border, including preferential duty rates under Free Trade Agreements, meets international obligations, and supports trade facilitation and border risk management.

In mid-2025, we began a programme to modernise how the Tariff is maintained and accessed, replacing manual processes with digital tools.

As part of this programme, BorderWise Community Edition was released in March 2026, making tariff information easier for traders and brokers to access and search. This will improve the accuracy of declarations and support more efficient processing of trade goods.

From 2027, a new tariff management system will further improve the accuracy and consistency of tariff administration, support New Zealand's Free Trade Agreements, and enable future digitisation of trade processes.

Making it easier for businesses to interact with government

Business Connect is a digital service platform, run by the Ministry of Business, Innovation and Employment. It allows businesses to interact with government in one place, such as when submitting applications, licences, and registrations.

Business Connect is a key part of work to increase the use of digital services across the public service. We currently manage nine services through Business Connect and continue to look at opportunities to add additional services. As services are added to the platform, the number of submissions increases.

Zendesk satisfaction survey

Customs' customer management system, Zendesk, is the portal for queries from the general public and for basic trade processes such as client code applications and updates. The resolution of these matters is followed by a satisfaction survey. In 2025/26, 93% of customers who submitted feedback provided positive responses about the support they received.

Strategic Indicator

Customer satisfaction

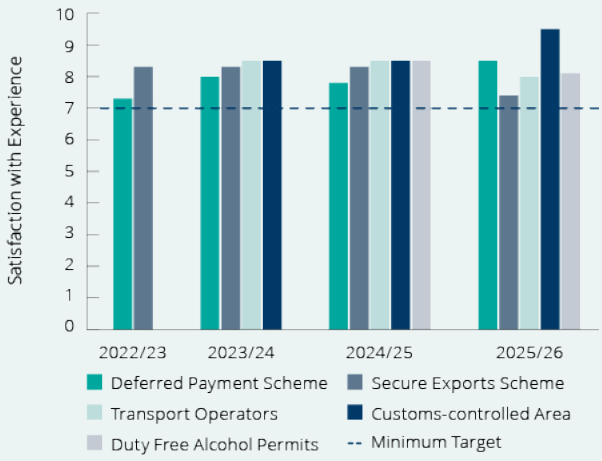
Desired trend: Customs' services maintain a favourable or above net promoter score for each service (average 7 out of 10 or higher)

Actual trend: On-track

After applying in Business Connect, customers are asked to rate and provide feedback on their experience of the process.

In 2025/26, 1,019 submissions were made across all the services. Only 10%, or 100 customers, provided feedback responses in relation to five of the services.

Figure 15: Average satisfaction rating



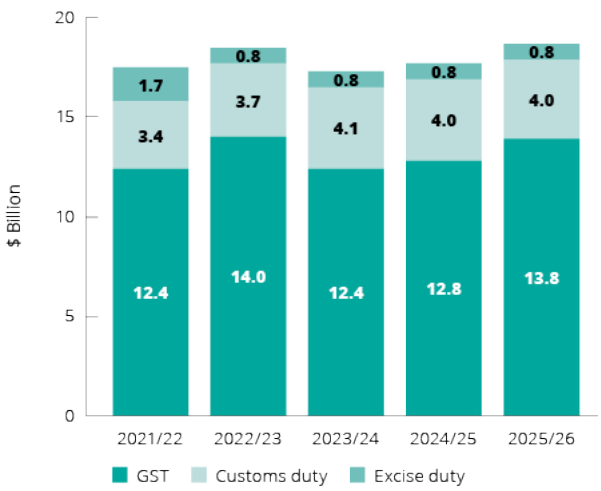
Non-compliance is identified and appropriately addressed

One of Customs' main functions is to collect revenue on behalf of the Government on goods crossing our border and excise duty on the manufacture of alcohol, tobacco, and fuel products within New Zealand. We work with clients and industry partners to enable them to do the right thing, supported by an audit programme and penalties for non-compliance.

We collected $18.6 billion of Crown revenue

This tax revenue comes from customs and excise duties, tariff charges, and GST on imported products over $1,000[6]. We also collect fees and levies on behalf of other agencies. The amount of revenue collected varies, reflecting wider import and export trade patterns. The Crown revenue is not used by Customs.

Figure 16: Main sources of Crown revenue collected by Customs



The total revenue collected during 2025/26 increased by 4.5% compared with the $17.8 billion collected in 2024/25. The increase was largely due to higher GST revenue.

The amount of excise duty paid has reduced over the last five years as there are very limited fuel and tobacco products manufactured within New Zealand (except small scale fuel mixing). Revenue from imported tobacco has fallen, likely due to declining smoking rates, the use of alternative products like vapes, and the rise in the illicit tobacco market.

Supporting clients to make sure revenue payments are correct

The revenue we collect on behalf of the Government represents approximately 17% of all Crown tax revenue. Accurate declarations by traders and brokers are important to ensure the correct duties and taxes are paid.

We work with clients and industry partners to encourage them to tell us about errors or omissions in documentation or under-reporting the value of goods. By proactively alerting us, clients may avoid penalty payments or, in certain circumstances, may be charged a reduced rate of compensatory interest than if issues are identified through an audit.

During 2025/26, Customs' interactions and audit activity resulted in almost $97.3 million in additional revenue. Systems such as the Provisional Values Scheme allow clients to adjust duty payments where extra costs, such as royalties, were not known at the time the goods were imported. This enables more accurate revenue collection.

Output performance measures		
OC2.04: Number of risk-based trade compliance audit activities undertaken (Standard: 750-850)		
Actual Performance	**2024/25** 904	**2025/26** 971
The Trade Assurance Audit Programme engages with entities to ensure compliance with government regulations and revenue compliance. From 2026/27, the standard range has been increased to reflect the stabilised programme of audits.		
OC2.05: Percentage of a random sample of import entries that are found to be accurate through the transactional verification process (Standard: 95%)		
Actual Performance	**2024/25** 96.8%	**2025/26** 98.0%

6 GST on imported items under $1,000 is collected by Inland Revenue through the Offshore Registration Scheme.

Strategic Indicator

Compliance rate of traders

The Trade Assurance programme ensures that New Zealand export, import, excise, and trade-related activities comply with government and international regulations and revenue requirements.

Trade Assurance Audit Programme

Desired trend: Fewer than 15% of audits identify negligent non-compliance, and fewer than 1% of audits identify deliberate non-compliance

Our Trade Assurance Audit programme guiding principles are to support and facilitate legitimate trade, promote voluntary compliance, and encourage voluntary disclosure.

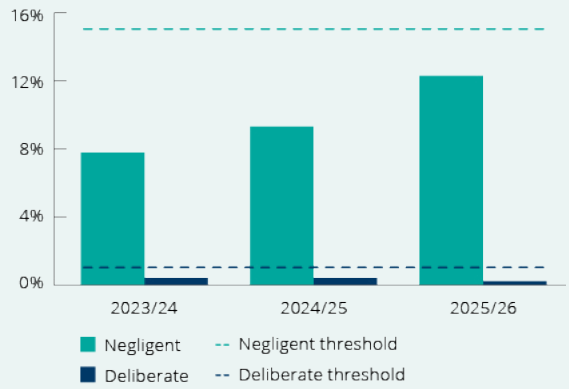
Audits address the diverse nature of international trade, including supply chain security and excise risks, and minimise necessary Customs interventions. Levels of non-compliance range across:

- **Accidental:** unintentional due to human error, misunderstanding of requirements, administrative oversights, or software/system error
- **Negligent:** failure to take reasonable care or attention to obligations
- **Deliberate:** intentional disregard for legal obligations or attempts to circumvent requirements for personal or business gain.

Actual trend: On track – negligent non-compliance: 12.3% and deliberate non-compliance: 0.2%

For 2025/26, the desired trend and acceptable level of negligent non-compliance was raised to 15%. The programme is auditing more entities that are smaller, more rural, and present a lower risk to the trade system. We expect to find more non-compliance with these entities as several have been in business for decades with minimal engagement with Customs since they were licensed. The previous expectation, of 11% non-compliance, was based on prior years' audits focused on General Customs Controlled Areas that present a higher risk to the trade system.

Figure 17: Significant non-compliance found in audits



Randomly sampled import entries

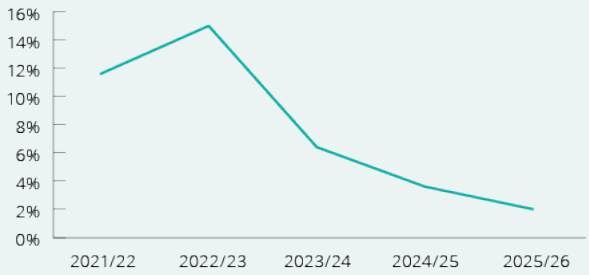
Desired trend: Maintain low levels of non-compliance

Actual trend: On track

Customs randomly assesses the accuracy of documentation for goods entering the country.

Customs engages with industry bodies, such as the Customs Brokers and Freight Forwarders Federation of New Zealand, the Conference of Asia Pacific Express Carriers, large accounting firms, and other industry bodies to highlight common compliance issues and to encourage proactive intervention to improve quality through training and awareness. Industry partners work with their members to further reduce errors through awareness and training.

Figure 18: Non-compliance in randomly sampled import entries



Intervening early to reduce debt

Most revenue payments are made by the due date, with around 99% compliance.

Our debt-management system automatically emails reminders to clients when payments are overdue. Early intervention helps clients avoid accruing large amounts of debt and reduces the time we need to spend on manual follow-ups.

If a debt remains unpaid, we work with the client to address it. This can include establishing payment plans that allow debts to be repaid over time.

Payment plans help businesses continue trading while meeting their obligations, ensuring we can collect the required revenue on behalf of the Government. We regularly monitor payment plans to ensure clients meet the agreed terms.

Output performance measures		
OC2.01: Percentage of revenue that is collected by the due date (Standard: 98%)		
Actual Performance	**2024/25** 98.9%	**2025/26** 99.3%
OC2.02: Percentage of substantial outstanding debts that are reviewed each month (Standard: 99%)		
Actual Performance	**2024/25** 99.9%	**2025/26** 100%
This measure reflects Customs' work to reduce the risk of recoverable debt by reviewing significant debts of $20,000 or more outstanding for over 60 days.		

Prosecuting deliberate revenue evasion

Businesses that under-report their duty or do not pay on time, not only reduce the amount of tax revenue available to fund public services that support all New Zealanders, they also gain an unfair market advantage over their competitors.

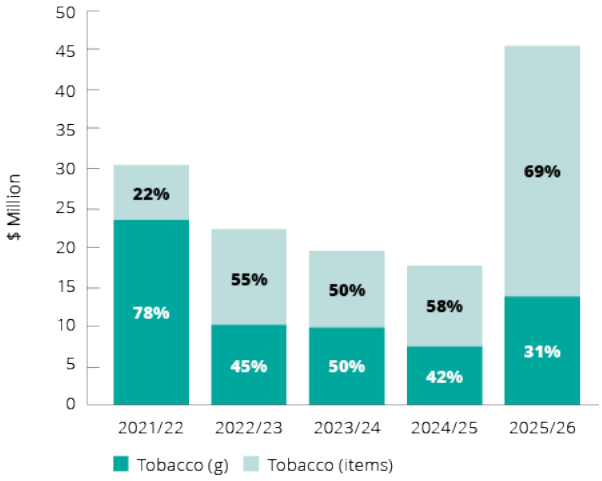
Large scale smuggling of tobacco products is rising

In 2022, we established a specialist tobacco team to investigate and prosecute the illicit importing and distribution of tobacco products and to counter tax evasion from tobacco smuggling.

During 2025/26, Customs officers charged 25 people for offences relating to the importation, possession, and distribution of illicit tobacco, including revenue evasion and other criminal activity.

The 23 tonnes of illicit tobacco seized represents approximately $45.5 million in revenue payments that would have been collected if the tobacco had been imported legally.

Figure 19: Excise-equivalent revenue foregone from illicit tobacco interceptions



Auckland businessman sentenced for revenue evasion

In January 2026, a 42-year-old Auckland man was sentenced to 11 months of home detention for attempting to smuggle more than 2.5 million cigarettes into New Zealand, evading approximately $3 million in revenue payments.

The offending was uncovered in 2024 after information received from Japan Customs and the China Anti-Smuggling Bureau identified suspicious shipments. The subsequent investigation identified additional offending involving illicit cigarettes, loose tobacco, and undeclared vapes.

Customs worked with the Crown Solicitor to highlight the seriousness of the offending to the court, including the abuse of the man's position as director of a freight-forwarding company to facilitate the smuggling operation.

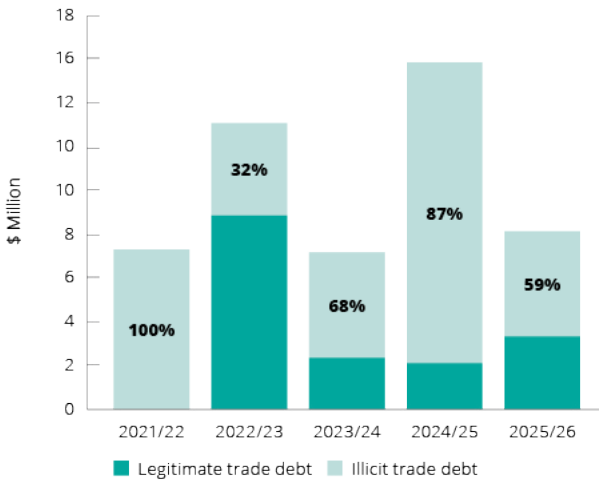
Writing off debt

We take all practical steps to recover outstanding Crown debt. However, a small proportion is written off each year when recovery is considered unlikely.

In 2025/26, the Minister of Finance approved the write-off of $8.2 million in revenue debt. Approximately 60% (almost $4.9 million) related to smuggled goods, including illicit tobacco and other substances. When smuggled goods are seized, we must calculate the duty and GST that would have been payable if they had been imported legally, even when payment is unlikely.

Although we may not recover all of this revenue, we can take enforcement action against those responsible. Charges have been filed against importers linked to almost $2 million of the written-off debt. Another importer responsible for $2.8 million was linked to four other suspects already in custody when the shipment arrived in New Zealand.

Figure 20: Types of debt written off



Output performance measures

OC1.10: Percentage of investigations, related to import or export of prohibited or restricted goods, where a punitive or harm reduction[7] action is achieved (Standard: 80%)

Actual Performance	2024/25	2025/26
	80.6%	95.7%

OC2.06: Percentage of investigations, related to fraud, financial crime, or tax evasion, where a punitive or harm reduction[7] action is achieved (Standard: 75%)

Actual Performance	2024/25	2025/26
	83.3%	100%

Since 2021/22, Customs aligned financial and non-financial performance of our investigative functions through three measures related to goods, travellers, and revenue. Accounting changes enable us to transition to a single, more meaningful and relevant measure. From 2026/27, Customs will have a single output measure about the *percentage of investigations where a punitive or harm reduction action is achieved.*

OC2.03: Debt write-offs related to legitimate trade as a maximum percentage of total Crown revenue collected (Standard: 0.06% or less)

Actual Performance	2024/25	2025/26
	0.01%	0.02%

This measure focuses on the work Customs does to follow up on outstanding debt to recover all due Crown tax revenue from import, export, and excise activity.

The current standard of 0.06% was cautiously set due to the global economic environment. From 2026/27, the standard will be adjusted to 0.03% or less to align with actual performance.

7 A punitive action is when a penalty is applied in response to activity that is found to be noncompliant or illegal. It includes, but is not limited to, issuing warnings, fines or assessment notices, seizure of goods or assets, and/or initiating prosecution. Harm reduction actions refer to wider positive societal outcomes and includes, but is not limited to, disruption of criminal activity, community education, or prevention of harm.

Making sure our clients understand our fees and levies

Approximately 65% of our operating funding in 2025/26 came from the levies we collect to cover the costs of screening and processing passengers and goods as they cross the border. These charges are primarily collected through the Border Processing Levy (for travellers) and Goods Management Levies (for import and export goods).

Fees and levies are reviewed approximately every three years. This involves more than updating fee or levy rates. We also need to ensure our cost recovery arrangements continue to meet the principles of equity, efficiency, transparency, and justifiability.

Implementing new Goods Management Levies

Following a review of goods and cargo fees and public consultation in 2024, Cabinet agreed in March 2025 to replace the existing fees with a new levy structure. The revised approach provides greater fairness for both fee payers and taxpayers by removing subsidies, while improving the transparency and long-term financial sustainability of our cost recovery model.

The new levies came into effect on 1 April 2026. This included separate charges for high- and low-value goods and new consignment charging for low-value goods. New levies were established for commercial vessels, international transhipments, Universal Postal Union (UPU) mail, and empty containers.

The new levy structure represented a significant shift for industry groups and fee payers. To support implementation, we held more than 150 meetings with industry representatives and individual companies to raise awareness of the changes, along with targeted and online workshops, scenario modelling, and guidance material. The transition to the new levy structure was successful.

Annual performance reports promote transparency and accountability

Annual performance reports on the Border Processing Levy and Goods Management Levies provide transparency and accountability for how fees and levies are collected and used. We produce these reports jointly with Biosecurity New Zealand (part of the Ministry for Primary Industries).

The reports explain the legislation authorising the fees and levies, the services they fund, the volumes of passengers and goods, the levy revenue collected, and the cost of delivering these services. They also outline the work programmes both agencies have in place to efficiently manage border risks.

Read our performance reports for the year to June 2025:

Border Processing Levy:
www.customs.govt.nz/media/hzaerz44/2025-performance-report-for-the-year-to-30-june-2025.pdf

Goods and Cargo Fees:
www.customs.govt.nz/media/yzwfxayv/2024-25-industry-report-goods-and-cargo-fees.pdf

TRAVEL

Provide a streamlined experience for passengers and crew across borders

Our objective: Provide secure border processes that facilitate legitimate international travel and reduce associated risks and threats

Nearly 14 million passengers arrive in and depart New Zealand each year. We have a dual role in making sure our passenger processing services are streamlined and efficient, while protecting our communities by identifying and preventing illicit drugs and other harmful goods from crossing the border.

International travel processes are increasingly automated and are moving to digital by default. We aim to make sure our systems and processes are both efficient and effective.

We achieve our objective by ensuring:

- effective border screening processes manage risks to New Zealand
- border processing services are efficient, smart, and easy to use.

Key achievements

During 2025/26 we:

- processed almost 14 million air and cruise passengers entering or leaving New Zealand
- led a six-month investigation uncovering a large drug syndicate that used social media to recruit young people to act as drug couriers
- concluded Operation Matata, a nearly 12-month investigation into a group using baggage handlers to smuggle drugs through Auckland International Airport
- achieved our target of more than 70% of passengers using the digital New Zealand Traveller Declaration to complete their arrival declarations
- expanded the number of countries eligible to use eGates making it easier and faster for passengers to clear Customs screening areas.

How we performed

We measure our performance through strategic indicators and output measures.

Strategic indicators

On-track Off-track

Our strategic indicators track the longer-term trends that will help us achieve our key priorities and objectives (pages 54 and 58).

Output measures

Achieved Not achieved

Our output performance measures provide an assessment of what we did with the funding we received during 2025/26. These measures are shown in the blue boxes in this section.

We missed one measure relating to the processing of external alerts in accordance with alert instructions (page 56).

Effective border screening processes manage risks and threats to New Zealand

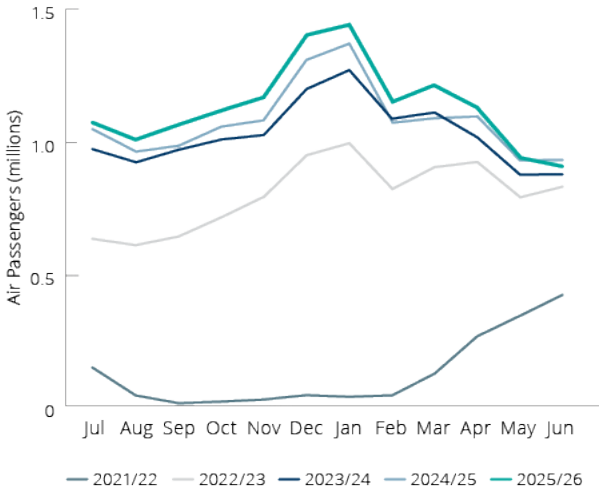
As passenger volumes rise, so do attempts to smuggle illicit drugs and other prohibited goods, making Customs' screening efforts crucial to protecting our communities from harmful goods. Over the last two years there has been a marked increase in attempts to smuggle large amounts of illicit drugs and tobacco through New Zealand airports using drug couriers and unaccompanied luggage.

Key travel trends

Commercial air passenger numbers continue to increase. During 2025/26, we processed 13.6 million commercial air passengers, a 5% increase on 2024/25 volumes.

We also increased our capacity to provide border screening services at Hamilton and Dunedin airports when international flights from those airports began in June 2025. Just over 115,000 passengers passed through Customs' border screening areas in Hamilton and over 48,000 in Dunedin during 2025/26.

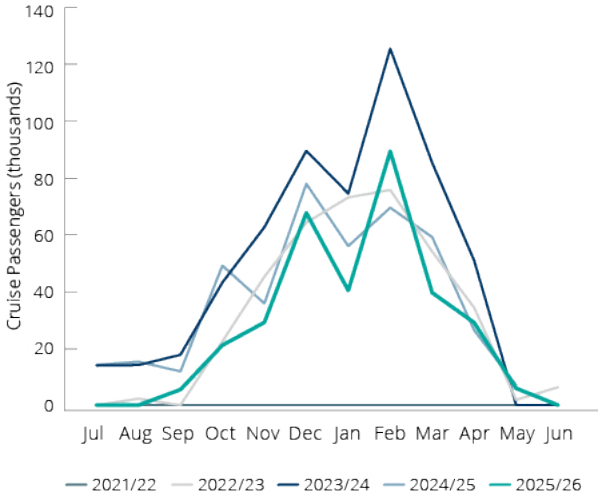
Figure 21: Commercial air passengers (arriving and departing)



Queenstown and Christchurch airports also saw an increase in international flights, with passenger numbers up 13% on the previous year.

During the 2025/26 cruise ship season, there were 94 voyages resulting in 612 port visits by cruise ships, with the arrival and departure of just over 327,000 passengers.

Figure 22: Cruise passengers (arriving and departing)



There were no port visits from cruise ships during the 2021/22 financial year due to pandemic travel restrictions.

We also processed just under 900,000 air and cruise ship crew entering or leaving New Zealand.

Strategic Indicator

Risk assessment of arriving passengers and crew

Desired trend: Maintain consistent and appropriate levels of intervention aligned with targeting methodology

Customs' risk management processes minimise threats and harm to New Zealand's communities through a range of risk targeting methods. This includes two output performance measures (as indicated in the shaded lines in the table below).

Some travellers selected for further risk assessment are subject to a secondary search. A positive result is any outcome of a secondary search that supports the person/item being risk profiled, including, but not limited to, finding dutiable, prohibited, or undeclared items; or referral to another border control agency.

Actual trend: On-track

Table 3: Intervention and result rate of arriving air travellers

	2021/22	2022/23	2023/24	2024/25	2025/26
Arriving passengers and crew (millions)	0.8	5.1	6.5	6.8	7.2
Number selected for further risk assessment	10,463	23,089	24,881	132,943*	155,111
OC3.01 *Percent selected for further risk assessment (Standard: 1–3%)*	*1.3%*	*0.5%*	*0.4%*	*2.0%*	*2.1%*
Number of baggage searches conducted after further risk assessment	1,634	8,618	10,703	10,662	11,388
Percent of travellers subject to baggage searches after further risk assessment	*15.6%*	*37.3%*	*43.0%*	*8.0%*	*7.3%*
OC3.02 Positive result rate of baggage or personal searches (Standard: 6–10%)	6.5%	10.5%	8.4%	8.4%	9.0%

**In 2023/24, Customs implemented changes to ensure that we captured and reported all referrals for further risk assessment.*

Passenger screening protects our communities

All passengers to New Zealand by air or sea are risk assessed before they arrive at the border. On arrival, passengers and their luggage are screened using a range of methods, including detector dogs, x-rays, questioning by Customs officers, and baggage searches. These checks, along with random baggage searches as part of our Assurance Programme (page 37), help us identify and manage a wide range of border risks, including smuggling.

Criminal groups use a variety of methods to attempt to smuggle illicit drugs across the border, ranging from blatant attempts to smuggle large amounts of drugs in suitcases or unaccompanied baggage, through to more complex concealments.

Examples during 2025/26 include:

- **June 2026:** a 20-year-old New Zealander was arrested after Customs officers discovered approximately 18.4 kg of methamphetamine in his luggage in packages disguised as green tea
- **May 2026:** two passengers on a flight from Chile were arrested after Customs officers discovered approximately 6.3 kg of cocaine concealed in false linings in their suitcases
- **April 2026:** during a baggage search, approximately 14.8 kg of methamphetamine was found soaked into clothing carried by a passenger arriving from Canada

- **January 2026:** a 19-year-old Canadian man was arrested after more than 15 kg of methamphetamine was found in vacuum-sealed packages hidden amongst clothing in his suitcase
- **November 2025:** five drug couriers were arrested in one week at Auckland International Airport, resulting in the seizure of 47.5 kg of methamphetamine, including nearly 2 kg hidden in a fake book.

Identifying the networks behind drug couriers

Criminal groups are increasingly using social media to recruit young people to act as drug couriers in exchange for money and overseas travel. Identifying and disrupting the networks behind these couriers is an important part of preventing drugs from reaching New Zealand communities.

The discovery of 36 kg of methamphetamine in two unaccompanied bags at Auckland International Airport in January 2026 led to an investigation that exposed one of the largest drug syndicates Customs has encountered.

The investigation, spanning more than six months, has so far resulted in the arrest of 22 people, including drug couriers, recruiters, and organisers. The syndicate is believed to be responsible for importing approximately 345 kg of methamphetamine.

Electronic forensic evidence recovered from mobile phones enabled investigators to identify individuals involved in organising and facilitating the operation. The investigation has provided valuable insights into the methods used by organised crime groups and will inform future targeting and risk assessment activities.

Managing border security threats at our biggest international airport

Most passengers arriving in New Zealand pass through Auckland International Airport. The wide range of international departure points and airlines creates specific border security challenges.

A dedicated Customs team works with people operating in and around the airport environment to identify and mitigate risks posed by trusted insiders, including baggage handlers and ground crew, who may use their access to restricted areas and systems to bypass border controls.

The team works closely with counterparts in Canada, Australia, the United Kingdom, and the United States to share information and insights on airport-specific smuggling risks from transnational, serious, and organised crime (TSOC) groups. Team members receive specialised training that enables them to operate on the tarmac and work directly with arriving aircraft to manage security risks early.

In 2025/26, the team began working with staff from the Royal Malaysian Customs Department and the Malaysian Border Control and Protection Agency at Kuala Lumpur Airport to establish similar tarmac monitoring processes targeting risks posed by trusted insiders. Funded by the Ministry of Foreign Affairs and Trade, this collaboration is strengthening regional cooperation and improving understanding of drug smuggling methods.

Increasing investigation capability based at the airport

Through Budget 2025, Customs received nearly $35 million, over four years, to strengthen efforts targeting TSOC activity at the border.

Part of this funding was used to strengthen our investigations capability based at Auckland International Airport, supporting investigations of intercepts or offending within search areas at the airport. This includes seizures from passengers being used as drug couriers, the prosecution of those involved and support for wider investigations targeting the networks behind smuggling attempts. Further capacity will be added over the next three years.

A successful conclusion to the long-running Operation Matata

In March 2025, Customs and the New Zealand Police began an investigation into a criminal syndicate allegedly working to smuggle methamphetamine and cocaine through Auckland International Airport.

In June 2025, 18 people believed to be part of the syndicate were arrested, including nine baggage handlers and another person working at the airport. A further series of arrests in July and November 2025 led to a total of 34 people arrested in connection with the smuggling syndicate, including 20 current or former airport workers, higher-level facilitators and organisers, and members of the Head Hunters, Crips, and the Two Eight Brotherhood gangs.

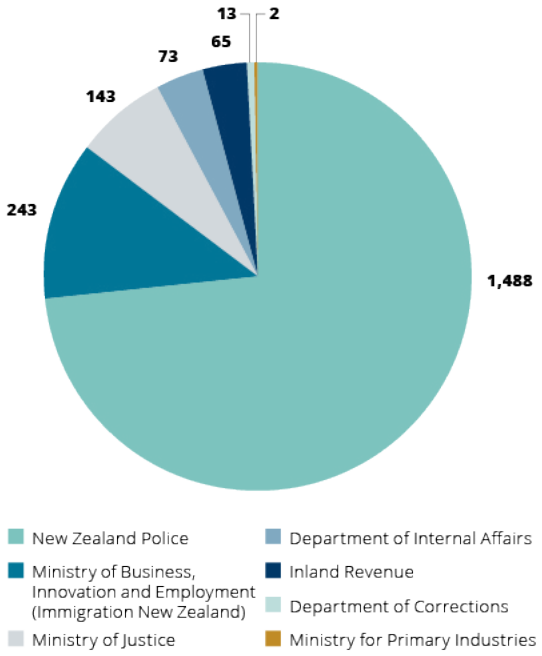
In total, 630 kg of methamphetamine, 112 kg of cocaine, cash, jewellery, and motorcycles were seized through the investigation, preventing approximately $700 million in social harm.

Output performance measures		
OC3.10: Percentage of investigations, related to travellers and their possessions, where a punitive or harm reduction[8] action is achieved (Standard: 80%)		
Actual Performance	**2024/25** 91.7%	**2025/26** 100%

Responding to alerts on behalf of other agencies

As part of our border protection role, Customs has agreements with other New Zealand agencies to share information or interact with people of interest to them. Our border management system electronically screens data for matches, helping us to process an alert in accordance with the alert instructions (for example, notify the other agency if the person or goods arrive at the border).

Figure 23: Other agency alerts processed



In 2025/26, we actioned 99.6% of alerts received from other government agencies in accordance with their instructions. Alerts that were not actioned as required related to referrals to Immigration to verify visa conditions, notifying agencies of travel movements, and responding to international travel restrictions relating to a deportee.

The missed alerts resulted from process gaps. We have implemented corrective actions, including strengthened controls, improved visual management tools, and closer collaboration with relevant agencies to improve how alerts are managed.

Output performance measures		
OC3.12: Percentage of external alerts processed in accordance with alert instructions (Standard: 100%)		
Actual Performance	**2024/25** 99.9%	**2025/26** 99.6%

8 A punitive action is when a penalty is applied in response to activity that is found to be noncompliant or illegal. It includes, but is not limited to, issuing warnings, fines or assessment notices, seizure of goods or assets, and/or initiating prosecution. Harm reduction actions refer to wider positive societal outcomes and includes, but is not limited to, disruption of criminal activity, community education, or prevention of harm.

Our border processing services are efficient, smart, and easy to use

Many of the systems and processes passengers use to travel internationally are digital. The digital New Zealand Traveller Declaration has largely replaced paper arrival cards, and eGates mean low-risk travellers can easily pass through Customs' screening areas.

Increasing digital declarations

Customs continues to invest in modern, digital services that make border processes easier for travellers, while improving the quality of information used for risk assessments.

The digital New Zealand Traveller Declaration (NZTD) allows travellers to complete their arrival information before travelling to New Zealand, making arrival processes smoother. It also helps increase passenger awareness of New Zealand's border and biosecurity requirements.

Our target is for more than 70% of travellers to complete their declaration digitally. Since NZTD was introduced in 2023/24, digital uptake has increased steadily, achieving and exceeding 70% since February 2026, and averaging 70% across the 2025/26 financial year.

Digital uptake is particularly high among cruise passengers, with an average of 95% completing their declaration digitally during the 2025/26 cruise season.

Internationally, digital declarations are becoming increasingly common. At least 28 countries have implemented digital arrival or departure declaration systems, with Australia expected to introduce its Australia Travel Declaration later in 2026.

Output performance measures		
OC3.07: Percentage of arriving travellers who complete their arrival declaration online (Standard: 70%)		
Actual Performance	**On 30 June 2025:** 67.0%	**2025/26** 70.0%
OC3.08: Average time taken by arriving travellers to complete a digital arrival declaration (Standard: 10 minutes or less)		
Actual Performance	**January – June 2025** 8.0 minutes	**2025/26** 8.5 minutes
OC3.09: Percentage of arriving travellers who need to seek help from the contact centre in order to complete their arrival declaration (Standard: 3% or less)		
Actual Performance	**2024/25** 0.4%	**2025/26** 0.3%

Strategic Indicator

Increasing use of digital services at the border

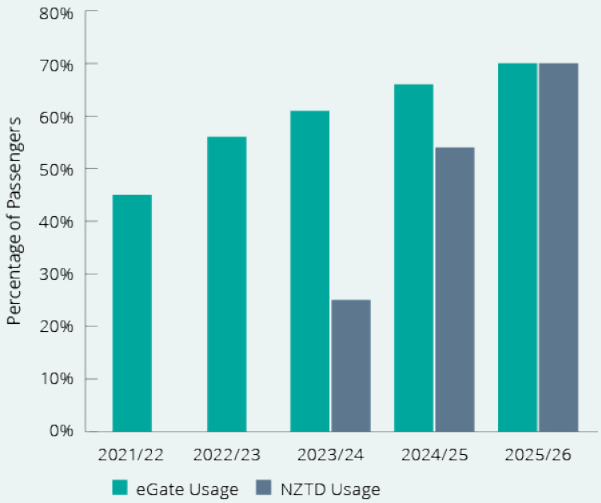
Desired trend: Increased use of digital systems

Actual trend: On-track

eGates have been a significant part of how Customs processes passengers since 2009. Implementation of the NZTD from 2023 was the next step towards making the border digital by default.

More and more passengers are choosing to shift toward the use of these digital systems when crossing New Zealand's borders. In 2025/26, the uptake of digital NZTD and the usage of eGates both reached 70%.

Figure 24: Passenger use of digital services



Extending eGate use

eGates are simple to use, reducing the time it takes people to move through passport screening areas, improving the travel experience for passengers.

In October 2025, we extended the ability for ePassport holders from an additional 11 countries and territories to use eGates when arriving or departing. This includes Argentina, Brazil, Chile, Hong Kong (a Special Administrative Region of China), Malaysia, Mexico, the Philippines, San Marino, the Seychelles, Taiwan, and Thailand.

ePassport holders from 59 countries and territories over the age of 10 are now able to be processed by eGates, covering approximately 85% of all passengers.

Commissioning next generation eGates

eGates were first introduced in New Zealand airports in 2009. The current eGates (installed in 2015) are ageing and need to be replaced. During 2025/26, Customs and Biosecurity New Zealand (part of the Ministry for Primary Industries) trialled and tested next generation eGates which will modernise border processing systems while still being fast and easy to use. New eGates have been ordered and will start to be introduced at airports from late 2026.

Improving passenger data for maritime travellers

For several years, Customs has worked through the World Customs Organization and the International Maritime Organization (IMO) to establish a global standard for the earlier provision of passenger and crew information for maritime travellers.

In March 2026, the IMO Facilitation Committee agreed treaty amendments that are expected to make Advance Passenger and Crew Information a global standard and Booking Reservation Information a recommended practice from 2029.

Receiving traveller information earlier will improve risk assessment and intervention opportunities and align maritime traveller information with existing requirements for air travellers.

POLICY ADVICE, MINISTERIAL, AND GOVERNANCE SERVICES

Our objective: Provide high-quality policy advice and support to Ministers and interagency governance on border protection and revenue issues

We provide policy advice to the Minister of Customs, other government ministers, and agencies on a wide range of border management, revenue, trade, and regulatory reform matters that support the delivery of our services. We also provide advice and services to support ministers with their portfolio responsibilities relating to Customs.

Providing effective policy advice

Each year we provide policy advice to the Minister of Customs and other Ministers on border and revenue issues. This includes regulatory guidance relating to trade, revenue settings, border security, and national security.

During 2025/26, three of the most significant pieces of work related to:

- the new multi-agency Transnational, Serious and Organised Crime Strategy 2026–2030 and Action Plan (page 23)
- the implementation of the new Goods Management Levies (page 50), including legislative changes to enable the new levy structure
- the development of new legislation through the Border Security Bill to ensure we have the tools and mechanisms needed to respond to increased threats at the border.

How we performed

We measure how well we deliver our policy advice and ministerial servicing functions through our output performance measures. These measures are shown in the blue boxes in this section.

Achieved Not achieved

Enhancing border security legislative settings

As the scale and sophistication of transnational, serious, and organised crime (TSOC) activity continues to grow, we need to ensure our legislation is fit for purpose.

TSOC groups are increasingly using intimidation, coercion, and violence to move illicit goods into local markets. Smuggling methods have evolved, including access to advanced technology and encryption tools that help them avoid detection. Together, these changes have increased the complexity of border management and created additional national security risks. Customs' border control and information-sharing legislation is no longer sufficient to address these emerging challenges.

In 2025/26, we progressed a Border Security Bill to strengthen our response to the threats posed by TSOC groups. Agency and Ministerial consultation on the policy proposals was completed and drafting of the legislation progressed. The Bill was introduced to the House in September 2026.

Assessing the quality of our policy advice

This year we provided 75 pieces of policy advice to the Minister of Customs on a range of topics, including:

- tackling TSOC and responding to methamphetamine
- excise and excise-equivalent duty on tobacco products and alcoholic beverages
- Customs Importation Prohibition (Nitros Oxide) Order 2026
- legislation to modernise the cost recovery of goods management at the border
- Customs and Excise (Border Security) Amendment Bill
- Mechanism to review complaints relating to use of defensive equipment.

In addition to our internal quality assurance processes, we sought an independent policy quality review.

In 2025/26, Customs underwent a competitive procurement process that resulted in a change of provider to FrankGroup. Our policy advice is still assessed against the Department of the Prime Minister and Cabinet's Policy Project Policy Quality Framework and Policy Skills Framework.

The review found that Customs produced a strong suite of papers with consistent strengths in writing and clear confident 'Customs voice'. They identified opportunities to build on this solid foundation with suggestions on how to strengthen political context and risk framing. FrankGroup will work with our policy teams to further strengthen our policy development and framework.

Output performance measures		
OC3.07: Assessment of the quality of a sample of the agency's policy advice papers:		
a. Minimum average score of papers (Standard: 3.5 out of 5)		
Actual Performance	**2024/25** 3.5	**2025/26** 3.4
b. Minimum score of papers (Standard: 100% 3 or above, 25% 4 or above)		
Actual Performance	**2024/25** 100% 3 or above 25% above 4	**2025/26** 80% 3 or above 33% above 4
OC3.08: Satisfaction of the portfolio Minister with the policy advice service (Standard: 3.75 out of 5)		
Actual Performance	**2024/25** 4.8	**2025/26** 4.7

Ministerial servicing

In addition to policy and operational advice, we support the Minister by providing draft replies to parliamentary questions and ministerial correspondence.

We survey the Minister of Customs on her satisfaction with Customs policy advice and ministerial servicing twice a year. The Minister rated our services as meets and sometimes exceeds expectations.

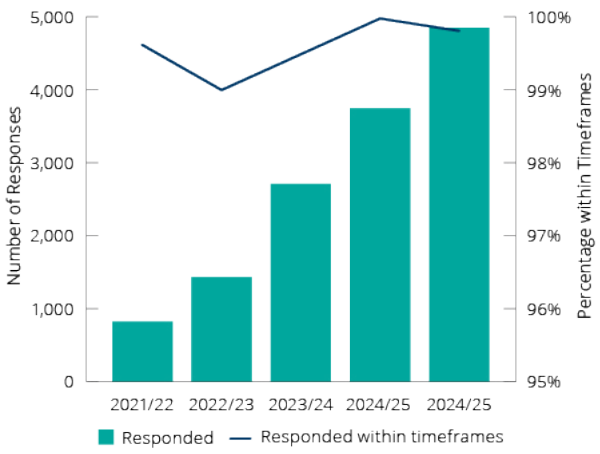
Output performance measures		
OC3.09: Satisfaction of the portfolio Minister with ministerial servicing (Standard: Meets expectations)		
Actual Performance	**2024/25** Meets and sometimes exceeds expectations	**2025/26** Meets and sometimes exceeds expectations
OC3.10: Minimum percentage of draft replies to ministerial correspondence that are provided within 20 working days or as agreed with the Minister (Standard: 95%)		
Actual Performance	**2024/25** 100%	**2025/26** 100%
OC3.11: Percentage of draft responses to parliamentary questions that are provided to the Minister's office so that answers can meet the timeframe set in Parliamentary Standing Orders (Standard: 100%)		
Actual Performance	**2024/25** 86.4%	**2025/26** 100%

Supporting transparency and accountability

Timely release of official information helps maintain public trust in government decision-making and supports accountability.

During 2025/26, we responded to 4,848 requests for information under the OIA, an increase from the 3,746 requests during 2024/25. 99.8% of responses were provided within legislative timeframes.

Figure 25: Responding to OIA requests



Border Executive Board

The Border Executive Board (BEB) is a multi-agency Chief Executive group that coordinates activity across New Zealand's border system to support a safer and smarter border.

The BEB has five areas of responsibility, delivered through an annual work programme:

- addressing system gaps and strengthening readiness to respond to a significant border event
- managing risks from people, goods, and craft
- border system improvements
- financial sustainability and fiscal oversight
- facilitating a positive user experience.

Leading the border together

On 1 January 2026, the BEB transitioned from a legislated interdepartmental executive board to a Cabinet-mandated Chief Executive sector leadership group. Existing arrangements for collaboration across agencies continued with streamlined governance and reporting requirements.

Read the BEB Annual Report July to December 2025 here:

www.customs.govt.nz/media/rnkpbe41/annual-report-2026-final-annual-report-july-to-december-2025.pdf

During the year, the BEB considered a range of border system issues including:

- the impact of sustained high fuel prices on passenger, cargo, and cruise ship volumes
- space requirements arising from industry infrastructure developments
- the implications of continued tourism growth for border services and infrastructure
- transparency of fees and levies, and upcoming reviews
- lessons from the response to potential measles-related disruption at Auckland Airport in November 2025.

Taking a joined-up approach

The first round of Regulatory Airport Spatial Undertakings was completed during the year. Border agencies worked together to identify future space requirements, supporting airports to plan how to meet the needs of government agencies operating at the border.

Agencies also coordinated engagement with Auckland and Queenstown airports on terminal redevelopment projects and worked with the Port of Auckland to prepare for border services at Te Waharoa, the new cruise terminal.

Health New Zealand kept agencies accurately informed and response ready for outbreaks of Nipah virus, Hantavirus, Ebola, and Measles. The New Zealand Traveller Declaration was also used to provide health information to all travellers regarding measles, and targeted communication to travellers coming from Ebola risk countries.

The BEB continued to receive updates on matters affecting multiple agencies to identify emerging risks, opportunities for collaboration, and issues requiring coordinated action.

Maintaining awareness of technology change

The BEB Digital Border Programme provided oversight of major border technology initiatives, helping agencies identify dependencies and coordinate delivery. During the year, the BEB Digital Leaders Group also considered the Government Digital Delivery Agency's initial work on centralised technology services and its potential implications for the border system.

Permanent BEB core members: *New Zealand Customs Service, Ministry for Primary Industries, Ministry of Business, Innovation and Employment, Ministry for Cities, Environment, Regions and Transport*

Members where appropriate: *Ministry of Health, Ministry of Foreign Affairs and Trade*

Participants where relevant: *Health New Zealand, Civil Aviation Authority, Maritime New Zealand*

ORGANISATIONAL HEALTH AND CAPABILITY

OUR PEOPLE

We have a capable, adaptable, and diverse workforce that can respond to changing environments

Our people

1,481
people work at Customs

1,449.3
full-time equivalent staff

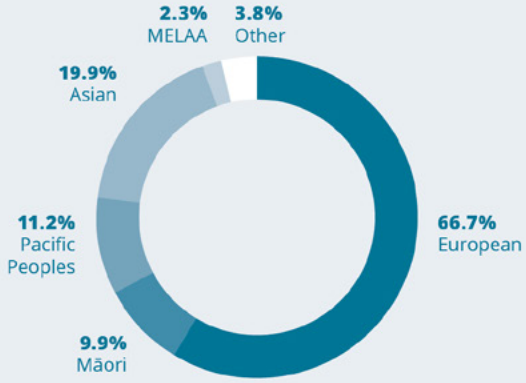
50.3%
Female

49.5%
Male

0.1%
prefer not to say

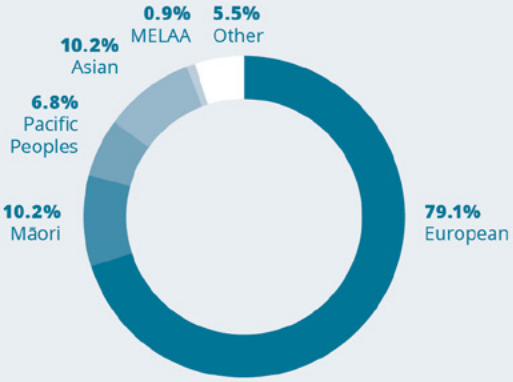
0.1%
are another gender

Ethnicity of our Workforce



MELAA – Middle Eastern, Latin American, African

Ethnicity of People Leaders

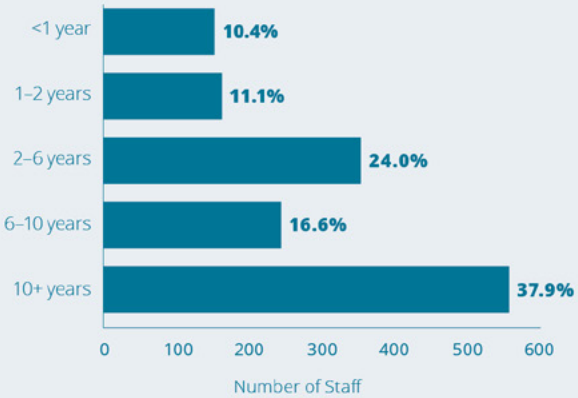


MELAA – Middle Eastern, Latin American, African

11 years
average length of service

57.3 years
longest length of service
(as at 30 June 2026)

Length of Service



Where we are based

Our people are based in 11 locations across New Zealand and in 12 locations overseas.

Figure 26: Staff numbers by location as at 30 June 2026

International Posts

We have a network of our people based overseas, supporting effective relationships with our international partners. As at 30 June 2026, we had 16 staff based overseas in these posts.

Our central pillar – Te Pou Tokomanawa

In a marae, pou are the pillars supporting the structure of the building, and Te Pou Tokomanawa is the central pillar supporting the ridge pole or backbone. For Customs, Te Pou Tokomanawa is the central pillar that guides our actions and core values.

Te Pou Tokomanawa draws from the principles of the Treaty of Waitangi (Te Tiriti o Waitangi) and provides the overarching principles and focus to make sure we meet our obligations as a government agency and partner in the Māori-Crown relationship.

Te Pou Tokomanawa is embedded in our three principles:

Partnership | Kotahitanga: we will act reasonably, honourably, and in good faith with Māori in partnership for the mutual benefit of both parties

Protection | Kaitiakitanga: we will strengthen our role as a protector of taonga (treasure), both in its physical form, and in language and traditions

Participation | Manaakitanga: we will enable active and equitable participation by Māori at all levels within Customs, to the benefit of both Māori and the wider community.

Our values reflect these principles. They were chosen by our people as representative of the way we work and how we engage with the people we support:

We do what's right – Te ara tika

We are guardians – Kaitiakitanga

We value people – He tāngata

We look forward – Pae tawhiti.

Te Pou Tokomanawa in practice

Strengthening our relationships with iwi/hapū in key marine and border areas

We continue to strengthen our partnerships with Māori and iwi as we work to protect the border. During 2025/26, this included practical collaboration to protect pounamu as a taonga.

The Customs Export Prohibition (Pounamu) Order 2021 regulates the export of pounamu from New Zealand. We are responsible for ensuring exported pounamu has the required documentation and for working with iwi to return intercepted pounamu to its rightful owners.

In December 2025, we returned seven stones intercepted from a traveller in August 2020 who attempted to leave New Zealand without the required documentation. After confirming their origin, the stones were returned to Ngāti Kuia at a ceremony at Te Hora Marae in Canvastown, Marlborough.

First successful prosecution for attempting to illegally export pounamu

On 1 April 2026, a 28-year-old man and a 54-year-old woman became the first people sentenced for illegally exporting pounamu.

The prosecution related to an attempt to export approximately 18 kg of pounamu in July 2024. The man acknowledged he knew of the five-kilogram export limit but did not have the required consent. As the smuggled stones were split between the two defendants, both were convicted of knowingly exporting prohibited goods.

Iwi representatives from Ngāi Tahu and Māwhera Incorporation attended the trial and welcomed the decision, which established an important legal and enforcement precedent for future prosecutions.

Building the awareness and understanding of tikanga Māori and te reo Māori capability

We continue to invest in building staff capability in te reo Māori, tikanga, and te ao Māori (the Māori worldview) to support more confident and effective engagement with Māori and iwi.

In September 2025, as part of Māori Language Week, Te Wiki o te Reo Māori, we launched Te Puna Ārai, an app that provides staff with guidance, resources, and learning tools to strengthen their understanding of te reo Māori. An eight-week learning course also began in June 2026, providing introductory and refresher training in te reo Māori, tikanga, and te ao Māori for 13 staff from our Policy, International, and Integrity teams.

Alongside these initiatives, one staff member undertakes intensive full-year study each year through the Rūmaki Reo programme. Participants are expected to apply their learning on return by supporting the use of tikanga and te reo Māori across Customs.

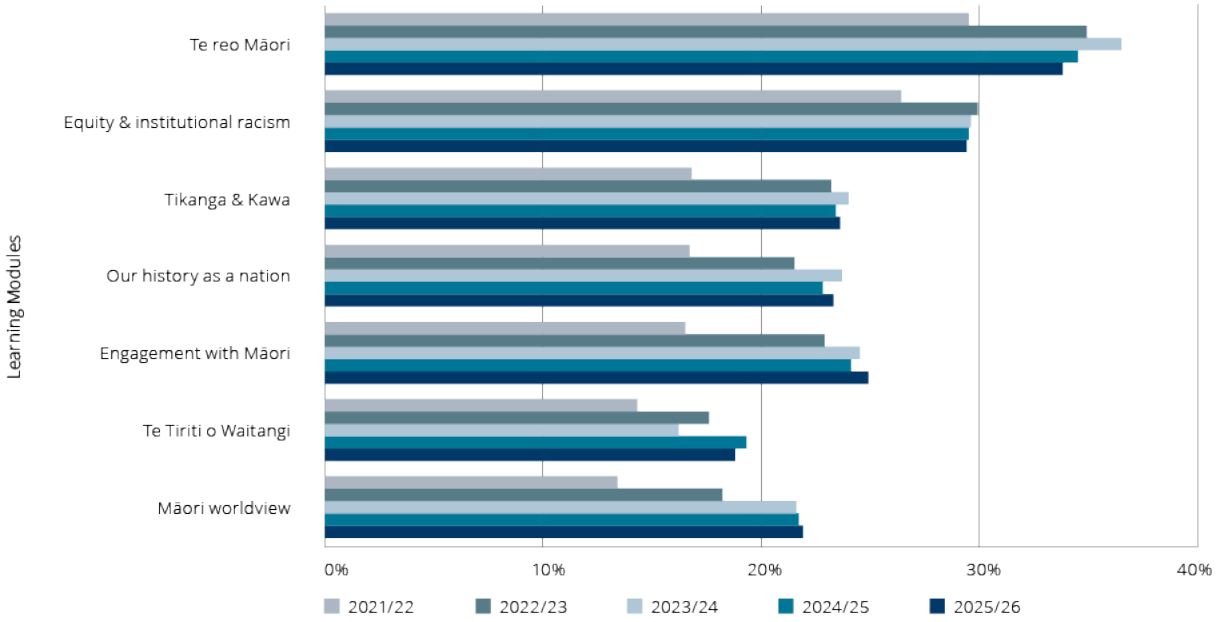
Members of our Māori Network play an important role in welcoming delegations from international customs and border agencies to New Zealand. For many visitors, this is their first experience of te ao Māori, and many delegates comment on the warmth of their welcome.

Lifting Māori-Crown relations capability

Whāinga Amorangi is a multi-year cross-agency work programme designed to lift the Māori Crown relations capability of the public service as set out in the Public Service Act 2020. It promotes a base level understanding of New Zealand history, the Treaty of Waitangi (Te Tiriti o Waitangi), and the importance of effective Māori-Crown relations.

The seven Whāinga Amorangi focus areas are included in our eLearning programme. We monitor and report on the completion rates for these modules.

Figure 27: Percentage of workforce who have completed Whāinga Amorangi eLearning modules



Building a capable and adaptable workforce

We operate in an environment shaped by changing global events, advances in technology, and evolving threats at the border. Our people need the skills and capability to adapt to these challenges and respond effectively as risks continue to change.

Enhanced training programme prepares staff for changing risks

The sustained increase in activity by transnational, serious, and organised crime (TSOC) groups has created a more challenging operating environment. Criminal groups are exploiting vulnerabilities at the border, using trusted insiders and technology to support smuggling activity. Staff are also encountering higher levels of intimidation and aggressive behaviour, reflecting international trends as the reach and influence of organised crime groups grows.

To help our people operate safely and confidently, we reviewed our recruitment and training approach in 2025 and piloted an enhanced Basic Training Course for Customs officers in April 2026.

The 13-week course combines classroom learning with practical training in behavioural analysis, interviewing, search techniques, and report writing. This is followed by five weeks of workplace rotations, allowing trainees to apply their learning in operational settings. The first cohort completed the programme in July 2026.

Funding through Budget 2026 will allow us to embed the new programme, provide additional officer safety training and refresher courses, and new defensive equipment to staff working in increasingly complex environments.

Workforce changes

The changing nature of border threats means we need the right skills, capacity, and resources in the right places to respond effectively, as well as deliver new and expanded services.

During 2025/26, our workforce increased as a result of new services, including the return of international travel through Hamilton and Dunedin airports and the implementation of the first phase of the Budget 2025 initiative targeting TSOC activity at the border.

Organisational redesign processes during the year strengthened our ability to respond to new risks and service demands. Changes within our People and Capability group focused on workforce planning and capability development, while changes in our Operations group made sure we had the right capacity to meet operational demand and respond to the more complex environment.

Customs works with three unions that represent our people – the Customs Officers Association, the Public Service Association, and E Tū. Our relationship is focused on transparency, early engagement, and a collaborative problem-solving model. We acknowledge and appreciate the input union representatives had in the change processes.

Table 4: Workforce profile as at 30 June each year

	2022	2023	2024	2025	2026
Headcount	1,569	1,359	1,355	1,439	1,481
Full-time equivalents (FTEs)	1,515.3	1,322.1	1,319.3	1,406.2	1,449.3
Average age (years)	45.2	45.5	45.2	45.3	45.3
Unplanned turnover	10.8%	11.9%	7.9%	6.5%	6.7%
Total Turnover	18.5%	24.9%	11.9%	8.0%	8.3%
Average length of service (years)	10.9	12.1	11.5	11.0	11.0

Building the capability of our people to support career progression

We support our people to build skills and experience throughout their careers through training, mentoring, and leadership development opportunities.

We provide leadership development programmes for staff preparing for, or new to, people leadership roles. In 2026, 16 staff are participating in the Aspiring Leaders Programme and a further 16 in the Leading Teams programme.

Our employee-led mentoring programmes connect staff with experienced leaders to share knowledge and support their development and career growth. In 2026, 19 staff are participating in mentoring programmes across our employee networks.

Reflecting the communities we serve

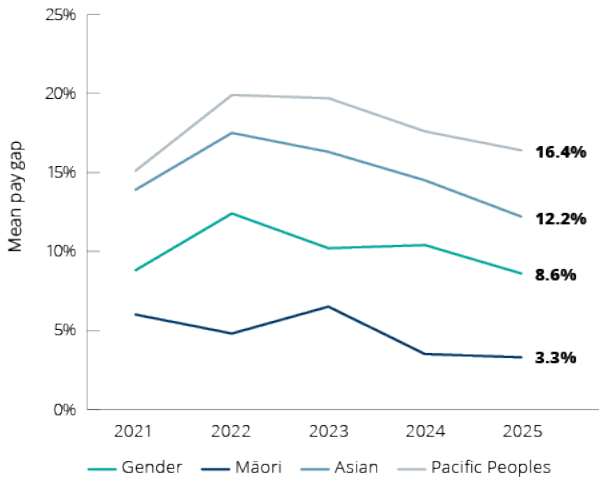
We work with and provide services to a diverse range of people across New Zealand. A workforce that reflects the communities we serve helps us better understand their needs and deliver effective services.

Our Inclusion, Equity, and Diversity Policy reflects current legislation, public service expectations, and our commitment to being a good employer. To support its implementation, we monitor workforce representation and pay equity, support flexible working arrangements, invest in development and mentoring opportunities, and encourage participation in employee-led networks. Together, these measures help ensure we meet our obligations as a good employer and create an inclusive workplace.

Addressing pay gaps

Reducing pay gaps remains an important part of creating a fair and equitable workplace. We monitor and regularly report on pay gaps across our workforce to track progress. Our pay gaps have continued to trend downwards.

Figure 28: Average pay gap trends over time as at 30 June



Employee-led networks strengthen connections

Employee-led networks help strengthen inclusion and connection across Customs. They provide opportunities for staff to share perspectives, contribute to organisational initiatives, and support policy development.

The networks also lead cultural awareness activities, including cultural celebrations and language weeks, and contribute to mentoring and development opportunities. We have six networks:

- Māori Network
- Rainbow Network
- Women's Network
- Asian Network
- Pasifika Network
- Enable@Customs.

Flexible working arrangements

As at 30 June 2026, 32% of our staff have a flexible working agreement. These agreements are reviewed annually and can include working from home and/or flexible hours. Most involve working remotely one or two days a week.

Table 5: Demographic profile of our workforce as at 30 June

	2022	2023	2024	2025	2026
Gender					
Male	52.9%	50.2%	49.7%	49.4%	49.5%
Female	47.0%	49.7%	50.2%	50.5%	50.3%
Another gender	–	–	–	–	0.1%
Prefer not to say	0.1%	0.1%	0.1%	0.1%	0.1%
Ethnicity					
European	69.9%	67.3%	66.2%	66.7%	66.7%
Māori	10.7%	10.3%	10.8%	10.1%	9.9%
Pacific Peoples	10.1%	11.8%	12.0%	11.7%	11.2%
Asian	16.7%	18.7%	19.0%	19.4%	19.9%
MELAA (Middle Eastern/ Latin American/African)	1.3%	1.3%	1.7%	2.2%	2.3%
Other	4.2%	4.4%	4.0%	3.9%	3.8%

Table 6: Demographic profile of our people leaders as at 30 June

	2022	2023	2024	2025	2026
Gender					
Male	65.7%	66.8%	64.0%	65.3%	63.0%
Female	34.3%	33.2%	36.0%	34.7%	37.0%
Ethnicity					
European	81.3%	79.2%	79.5%	80.5%	79.1%
Māori	10.0%	8.4%	9.5%	10.4%	10.2%
Pacific Peoples	6.6%	8.0%	8.6%	6.5%	6.8%
Asian	5.0%	7.1%	8.6%	9.1%	10.2%
MELAA (Middle Eastern/ Latin American/African)	–	1.3%	1.4%	0.4%	0.9%
Other	7.1%	7.1%	6.4%	6.9%	5.5%

Our people can self-identify up to three ethnicities, so data may not total to 100%.

Ensuring the wellbeing and safety of our staff

We are committed to making sure our workplace and culture promote safe work practices and support the wellbeing of our people. Our wellbeing and safety strategy is designed to make health, safety, and wellbeing a central part of everything we do.

Our Wellbeing and Safety strategy is based around three pillars:

- **Protect:** minimising harm at work
- **Build:** building an organisational culture that embeds health, safety, and wellbeing
- **Support:** supporting personal holistic health.

These pillars are underpinned by a risk strategy focused on steps that can be taken to prevent known risks and identifying potential and emerging risks.

Supporting our people in higher-risk environments

The risks faced by Customs officers have increased as criminal groups become more willing to challenge border controls and those responsible for enforcing them. Our officers are increasingly operating in challenging and unpredictable situations, including responding to people under the influence of illicit drugs and carrying out search warrants where weapons may be present.

Investing in the safety of our people

Through Budget 2026, we received funding to strengthen officer safety training and purchase additional defensive equipment to help keep our people safe in response to the increased risks they face. We also received funding for security upgrades to Customs' facilities.

We have an established operational authorisation framework for investigation activities. This supports threat assessments and risk mitigation planning for higher-risk operations. It includes close coordination with agencies such as New Zealand Police and the New Zealand Defence Force on joint operations.

Threats against Customs officers are not tolerated

In March 2026, an Auckland man was sentenced to five months of electronically monitored home detention for threatening a Customs officer, an offence under the Customs and Excise Act 2018.

The man sent a series of threatening and abusive emails to two officers involved in the seizure of a prohibited item. Charges of this nature are rare, but Customs has a zero-tolerance policy and we will take action to protect our people.

Building confidence in high-risk situations

Officer Safety Training programmes cover verbal de-escalation, advanced safety tactics, and training for staff on safety when arresting suspects. In 2025/26, 720 staff completed one or more of these courses (including re-certification training). We also offer firearms safety awareness training, with 306 staff completing the training in 2025/26.

Setting the strategic direction for wellbeing and safety practices

The Comptroller and Customs Executive Board (CEB) are designated officers under the Health and Safety at Work Act 2015. They are responsible for providing leadership, governance, and oversight of Customs' wellbeing and safety risks.

The Health, Safety and Wellbeing (HSW) Governance Committee, chaired by the Comptroller, meets quarterly and is supported by an external HSW governance expert. The Committee reviews critical and emerging risks, monitors the effectiveness of risk controls, considers assurance findings, and works with partner agencies where we share workplaces and operational environments.

Wellbeing and safety is also a standing item at every CEB meeting. Regular reporting helps the Board maintain visibility of key risks and make informed decisions about improvements to our wellbeing and safety systems.

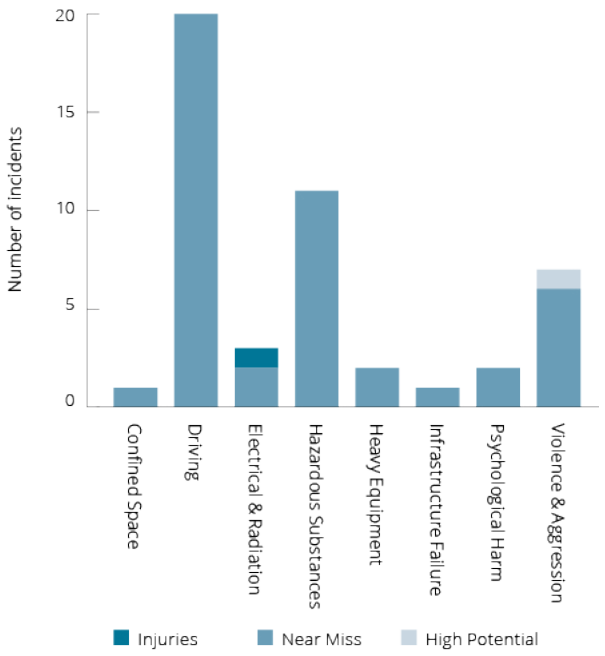
Assurance reviews of our processes and systems to support staff exposed to objectionable material, controls relating to radiation exposure (for staff using x-ray inspection equipment), and safety and training requirements for staff operating at ports and on ships were completed. The reviews found that key controls are being implemented effectively.

Managing our critical risks

Our critical risks relate to workplace hazards including exposure to hazardous substances, moving objects (particularly on ports and around airports), water related risks, and violence and aggression. There are also role-specific hazards, such as psychological harm from exposure to child sexual exploitation and other objectionable material. These risks are actively monitored by CEB.

During 2025/26, our most common critical risk incidents involved driving and hazardous substances.

Figure 29: 2025/26 critical risk incidents by type

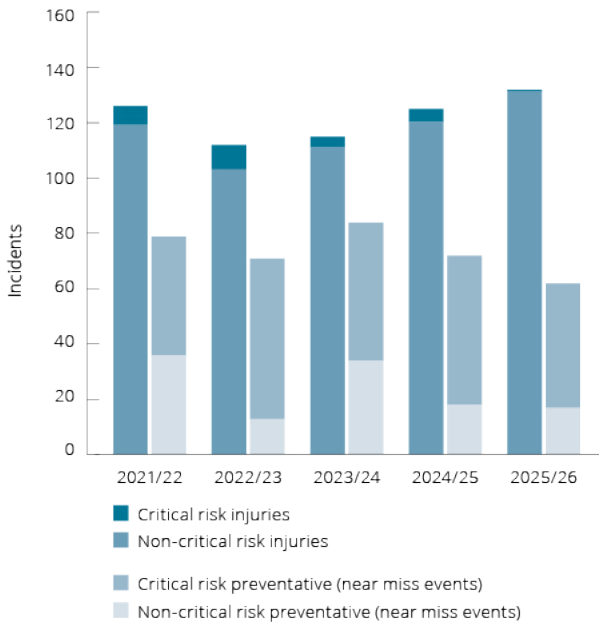


Monitoring incidents and near miss events

We use incident reviews, monitoring of near-miss events, and our assurance programme to help monitor and improve the management of our risks. Staff and people leaders are encouraged to report all incidents and near-miss events. This helps us identify preventative measures that can be put in place.

Injuries and near miss events related to our risk areas have remained relatively stable over the last five years.

Figure 30: Injuries and reporting of all incidents and near miss events



In 2025/26, we had one injury related to a critical risk incident and 45 near-miss events. Most of the injuries were minor, and included injuries from physical training, strains from manual handling of heavy objects, slips and trips, and minor cuts while using equipment.

We support our people to return to work following significant medical events or where they have experienced cumulative impacts on their work or wellbeing. During 2025/26, most injury claims related to non-work accidents (88.9%). This is up from 83% in 2024/25.

Building a culture of health, safety, and wellbeing

HSW officers play an important role in promoting safe work practices and identifying local risks and hazards.

We have 56 elected HSW officers, appointed for three-year terms. They complete NZQA-recognised training and receive ongoing support through education days, online forums, and peer networks.

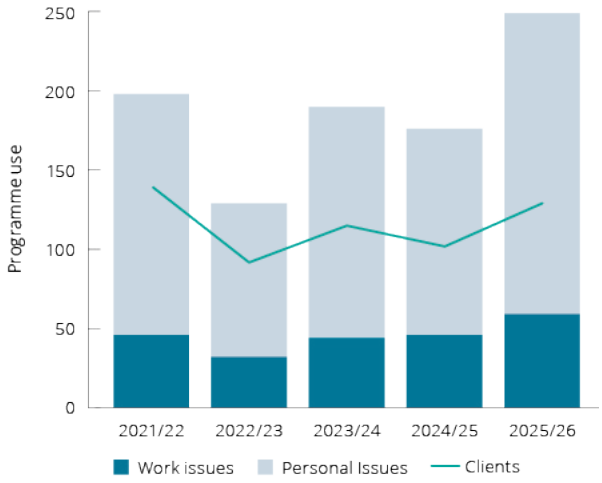
Education days were held in Wellington and Auckland during 2025, focusing on the impact of fast-moving environments on situational awareness. HSW representatives also attended the Government Health and Safety Leadership Group conference in June 2026 to share experiences and learn from wider public sector health and safety practice.

Supporting holistic health and wellbeing

The 24/7 nature of our operational work can affect the wellbeing of our people, particularly those working unsociable hours. Support includes wellness checks and online material and seminars with advice on sleep and fatigue management as well as other wellbeing issues. We also hold expert-led sessions covering health issues and online forums discussing financial and retirement planning, and we offer a free flu vaccination programme.

Staff can also access the Employee Assistance Programme for support with both work and personal issues. The number of staff using these services has been slightly higher this year than in previous years.

Figure 31: Employee Assistance Programme use



STEWARDSHIP

Doing the right things in the right way

Our structure

We are accountable to, and support, the Minister of Customs.
Our services are delivered through four business groups.

Hon Casey Costello
Minister of Customs

Christine Stevenson
Chief Executive and Comptroller of Customs

Jamie Bamford
Deputy Chief Executive Operations*

- Air Operations
- Intelligence and Investigations
- Maritime Operations
- National Security and Operational Readiness
- Trade, Revenue, and Compliance

Richard Bargh
Deputy Chief Executive Policy, Legal, and Strategy

- Information Sharing and Privacy
- Legal
- Policy and Strategy

Joe Cannon
Deputy Chief Executive International and Governance

- Governance
- International
- Risk, Security, and Assurance
- Stakeholder Communications

Sharon May
Deputy Chief Executive Enterprise Services

- Corporate Services
- Data and Technology
- Finance
- People and Capability

**An Operations change process was completed in April 2026, with implementation from 1 July 2026. This resulted in changes to operational team structures and position titles. The organisational structure shown reflects the outcome of this change process.*

Read more about the Customs Executive Board on our website:
www.customs.govt.nz/about-us/customs-executive-board

Effective governance means we do the right things in the right way

Our governance structure has been designed to support collective accountability for key strategic decisions, ensure stewardship of our people and resources, and monitor our organisational priorities and performance.

The **Customs Executive Board (CEB)** sets the strategic direction for Customs and ensures we have the right skills, resources, and focus to deliver our services and plan for the future.

There are four CEB committees:

- **Focus Committee:** makes substantive decisions about the way we work and future trends we need to prepare for *(Chaired by the Deputy Comptroller Operations)*
- **Investment and Performance Committee:** provides oversight of our financial position, our performance, and the allocation and use of resources *(Chaired by the DCE Enterprise Services, Specialist Advisor: Chief Financial Officer)*
- **Business Committee:** makes decisions on key business issues to ensure we can deliver our services effectively *(Chaired by the DCE Policy, Legal, and Strategy)*
- **Health, Safety, and Wellbeing Committee:** provides governance and oversight of key health and safety risks to make sure our people are safe and well *(Chaired by the Comptroller, Specialist Advisors: Chief Legal Advisor, Chief People Officer, and Manager Health, Safety, and Wellbeing).*

Each committee meets monthly, except for the Health, Safety and Wellbeing Committee which meets quarterly.

Independent advice through the Assurance and Risk Committee

The Assurance and Risk Committee provides independent advice and oversight to the Comptroller and CEB on our audit and risk management functions and performance information. The Committee has four external members with a range of governance and management experience:

Glenn Dunbier (Chair) spent 38 years with the New Zealand Police and is now retired. He has extensive operational and leadership experience in New Zealand and Australia.

Kylee Potae is an Advisory Partner for BDO Gisborne, with a background in finance and governance and is a strong presence in the Māori business sector.

Karen Jones is Group General Manager Engagement and Partnerships at the New Zealand Transport Agency with a background in organisational development, health and safety, communications, and stakeholder engagement.

Steph Rowe is Executive Leader, Delivery at the Ministry for Cities, Environment, Regions and Transport. Steph's background includes roles in the border sector, and experience in investment prioritisation, delivery oversight, and assurance.

See the Committee's report on the next page.

Customs Assurance and Risk Committee (ARC) Report

The Customs Assurance and Risk Committee (ARC) is an independent body offering a strategic advisory function to the Comptroller.

The ARC has been briefed on the challenges and successes for Customs over the past year particularly in relation to:

- demands on border operations functions, particularly regarding the volume and frequency of drug seizures and the associated links to organised crime
- development and trial of new electronic gates to facilitate traveller movement
- the efficiency of Customs' processing capabilities, including impressive time release study results
- international relationships where Customs represents New Zealand
- cost pressure management and staffing issues including Customs' work to design a workforce to match the modern operating environment.

Against this operating background, the ARC welcomes the Government's demonstration of confidence in Customs' ability to deliver its border management functions as shown by its decision to invest considerable additional funding in the 2026 Budget.

This year we farewelled Nick Paterson, who has been replaced by Steph Rowe from the Ministry for Cities, Environment, Regions and Transport. I thank them both and my other ARC colleagues (Karen Jones and Kylee Potae) for their valuable contributions throughout the year. Their depth of relevant experience, including knowledge of financial controls, law enforcement, executive leadership, and working in border management, equips the Committee well to fulfil its mandate.

Thanks also go to Christine and the other Customs Executive Board members who participate so fully in quarterly ARC meetings, and to the Audit Office.

I feel privileged to have this role on the Committee and I continue to be impressed by the adaptability of Customs and its people. I accepted with pleasure a second term as Chair in April 2026, allowing me to further this role which so often allows me to experience the knowledge and professionalism that exists within the Customs' workforce. I am also pleased to report that a review of the ARC's own performance generated positive findings on its effectiveness, and that its Charter has been updated.

The ARC has provided specific advice, guidance, and focus throughout the year on a range of high priority areas, including:

- people and capability related matters, particularly training, organisational change, and health, safety, and wellbeing
- challenges in the Pacific
- Customs' protection role, as it relates to operations, in a constantly evolving environment
- financial sustainability, and investment performance and reporting
- cyber security and artificial intelligence
- Customs' strategic risk profile and its assurance, security, and integrity work programmes
- matters of interest to the Audit Office.

The ARC recognises the effort that goes into maintaining Customs' enviable reputation and the high levels of trust it enjoys from key stakeholders and the New Zealand public. It looks forward to continuing its support of Customs' executive team into the coming year as Customs continues to navigate a challenging fiscal environment, while delivering its leading role in border management.

Glenn Dunbier

Chair, New Zealand Customs Assurance and Risk Committee

Providing internal assurance over our systems and processes

In addition to the external oversight of the Assurance and Risk Committee, our internal audit function carries out a range of assurance activities to confirm our systems and processes are operating as intended and support ongoing process and practice improvement.

Regular compliance reviews occur to make sure we adhere to information management provisions across our information sharing, information matching, and direct access agreements. These agreements allow other agencies to undertake their statutory obligations, for example, making sure the right amount of interest is charged on student loans when borrowers leave for extended periods of time.

Other assurance reviews this year have focused on:

- physical security assessments of facilities managed by other organisations, including the New Zealand Post Auckland Processing Centre, sites used to destroy seized goods, and several Customs locations
- audits of four facilities used as part of our arrangements for random drug and alcohol testing of staff
- reviews related to overtime and recruitment processes
- finance-related reviews covering staff expenses and financial controls.

We discuss findings with the relevant business managers so that appropriate action can be taken, and with the Assurance and Risk Committee to provide oversight.

Maintaining public trust and confidence

Our reputation depends on the way we act and how we use our legislative powers through risk targeting, investigations, and enforcement activity. Our value – **we do what's right** – underpins how we work and helps maintain trust and confidence in Customs.

When concerns are raised, we respond with discretion, care, and professionalism to make sure staff and managers have confidence in our integrity system. Our Integrity Committee provides oversight to ensure issues are addressed in a transparent, fair, and timely way and that we learn from the issues identified.

Public trust is an important measure of confidence in public sector organisations. In 2026, we ranked second equal out of 58 agencies in the annual Verian Public Sector Reputation Index, up from fourth equal in 2025.

Managing conflicts of interest and integrity issues

We make it simple for staff to identify and declare actual, potential, or perceived conflicts of interest. Staff are required to make a declaration when they join Customs, move into a new role, when their circumstances change, or to review their declarations annually. Quality assurance processes help make sure appropriate management plans are developed where conflicts or potential conflicts are identified.

Through integrity training, staff discuss ethical dilemmas they may encounter in their roles. These discussions encourage consideration of integrity issues. Our **'See something, say something'** education programme promotes a culture where concerns can be raised.

Setting clear behaviour standards

We take alleged breaches of integrity seriously and do not tolerate any acts of fraud or corruption. Our Code of Conduct sets out the behaviour standards expected of our people, contractors, and consultants.

Our Code of Conduct reflects the integrity standards that apply across the public service. Following the release of the Public Service Commission's updated Code of Conduct for the Public Sector in March 2026, all staff were required to complete a short learning module to reinforce and clarify these expectations.

Investigations into staff conduct

The table below shows the outcomes of investigations into allegations of unacceptable behaviour by our staff, contractors or consultants that concluded in 2025/26. In the context of a workforce of around 1,480 employees, these numbers are very small.

Table 7: 2025/26 Conduct investigation outcomes

Investigation outcomes	Number of investigations
Upheld	13
Not upheld	9
Partially upheld	–
Did not meet threshold for misconduct	–
Person left Customs before investigation was complete	–

When misconduct occurs, disciplinary measures aim to be corrective rather than punitive. However, in some cases, termination is appropriate and justified.

Table 8: 2025/26 Upheld conduct investigations

Action taken	Number of upheld investigations
Formal warning[9]	10
Letter of expectation	2
Termination (with or without notice)	1
Resignation	–
Other	–

9 A formal warning could be one or a combination of the following: referral to Employee Assistance Programme or other professional assistance, removal of delegated powers, removal of privileges, transfer, demotion, non-eligibility for merit remuneration increase or one-off payment, change of reporting time or hours of work, or another penalty decided by the Comptroller.

Managing our risks

We are building a risk-aware culture across Customs that supports our people to identify potential risks and respond to them quickly and efficiently.

Identifying and responding to risk

Each work area has a Risk Coordinator to support risk management activities and provide advice and support. Regular reporting makes sure risks are actively managed by decision-makers.

Strategic Risks

Customs' strategic risks focus on the key areas that could affect the achievement of our objectives. The Customs Executive Board regularly monitors and reviews these risks, with a focus on:

- financial sustainability
- border management
- workforce
- trust and confidence
- stakeholders and partnerships
- shaping our future.

Organisational Risks

Organisational risks affect multiple business groups and require coordinated action across Customs on a day-to-day basis. These include risks such as critical systems failure, fraud and corruption, privacy and information management, and legislative compliance.

Members of the Customs Executive Board oversee the management and mitigation of these risks within their areas of responsibility.

Keeping our business continuity plans relevant to a range of events

Significant adverse events, including power outages and the impact of weather events, demonstrate the importance of having well-developed business continuity plans covering all locations and functions. As each event is unique, we regularly review our responses, updating our plans to cover any gaps or oversights that emerge.

We have an internal exercise programme that tests our response to a range of scenarios that could disrupt delivery of our critical functions. During 2025/26, we tested our critical response functions through exercises linked to insider threat, focused on an internal data breach, and an alleged attack on an officer. We also reviewed work area business plans against the possibility of fuel shortages impacting operational functions.

Maintaining a safe and secure environment

Protective Security Requirements is a policy framework that outlines the Government's expectations for security governance and for personnel, information, and physical security. We are required to annually self-assess compliance with the 20 mandatory requirements.

In 2025/26, we completed our self-assessment in the new reporting tool, meeting 17 of the 20 mandatory requirements. The new standards are very detailed. There were three areas where we did not fully achieve the standard:

- the management of risks when working with others (71% met)
- our ability to respond to increased threat levels (84% met)
- the way we manage national security clearances (93% met).

Work is planned or already commenced to address identified gaps and vulnerabilities.

Building a security-conscious culture

The changing nature of threats from transnational, serious, and organised crime groups, combined with growing cybercrime risks, means we need to continually strengthen our security awareness and practices.

Key areas of focus include:

- improving understanding of insider threats from people who may exploit their legitimate access to our information, systems, or assets
- continued enhancement of systems and processes to manage digital and cyber security risks
- promoting the importance of personal safety and information security.

During 2026, we delivered a *Threats from Within* training programme to over 350 senior leaders and people leaders across Customs. The two-hour sessions focused on the risks posed by trusted insiders and the role everyone plays in improving our overall security environment.

Cyber Security – detect threats early, respond quickly, recover fast

Cyber threats pose risks to the confidentiality, integrity, and availability of our critical IT systems and the information we hold. To manage these risks, we operate a dedicated 24/7 Security Operations Centre that enables rapid detection and response to incidents. This helps contain potential impacts and supports the continuity of our services.

We work closely with the National Cyber Security Centre, the Government Chief Information Security Officer, and the Government Digital Delivery Agency to assess emerging threats and make sure our security controls remain effective.

We continue to invest in cyber security technology, along with the people and processes needed to use it effectively. This helps us identify and respond to threats quickly and minimise disruption when incidents occur. We also monitor emerging technology and threats, including developments in artificial intelligence, so our cyber security approach remains effective as risks change.

Advancing AI Capability

Customs has a strong track record of using technology to improve productivity and services, such as the New Zealand Traveller Declaration and use of data analytics to support risk management processes for arriving goods, people, and vessels.

Artificial Intelligence (AI) offers further opportunities to enhance organisational capability in other areas and deliver improved outcomes for New Zealand.

During 2025/26, we continued the transition from targeted trials to broader adoption of AI tools across the organisation. Each step has been supported by training and guidance for staff to ensure it is used appropriately and responsibly. Following a successful trial in late 2024, Microsoft 365 Copilot was rolled out across the organisation, embedding generative AI into everyday workplace applications and providing early productivity benefits in drafting, research, and administrative tasks.

We also expanded our use of AI-enabled tools, including a secure form of Copilot Chat and tools to support software development and security. Additional tools are currently being evaluated for potential use.

The roll out of AI tools was supported by a strengthened governance framework, including the establishment of an AI and Emerging Technology Council to oversee alignment with legal, ethical, privacy, and security requirements. Investment in capability development, through training, guidance, and a community of practice, has supported staff to use AI effectively and safely.

Regulatory systems, resources, and assets

We have a responsibility to take a whole-of-system approach to regulation, effectively manage and maintain our resources and assets, and to support the stewardship of New Zealand's resources through reducing our carbon emissions.

Strengthening regulatory practice

Regulatory stewardship looks at how government agencies monitor, educate, and enforce, laws and regulations. When regulatory systems are not operating well, failures can occur.

We help administer New Zealand's trade, revenue, border, and national security regulatory systems. This includes ensuring legislation remains fit for purpose, supporting staff to apply regulatory requirements consistently, and reviewing how our systems operate in practice.

During 2025/26, we strengthened regulatory capability across Customs through the development and implementation of a new capability framework for staff in regulatory and enforcement roles. The framework supports consistent decision-making and helps develop regulatory expertise across the organisation.

To strengthen confidence in regulatory decision-making, we are developing an assurance programme that will embed some new internal controls to review whether regulatory guidance, policies, and tools are being applied consistently in day-to-day operations. This work will help identify areas for improvement and support consistent practice across Customs.

Making sure legislation remains fit for purpose

We began policy work on a potential targeted review of the Customs and Excise Act 2018 to ensure it remains effective in a changing operating environment. The review is focused on assessing whether previous reforms achieved their intended outcomes and identifying areas where legislative updates may be needed.

We also reviewed a substantial portion of our secondary legislation and continued preparations for the implementation of the Regulatory Standards Act 2025. This included aligning existing review and decision-making processes with the Regulatory Standards Act requirements and developing internal guidance and tools to support its implementation.

Together, these initiatives help to strengthen the regulatory systems that manage and reduce risk to New Zealand and strengthen decision-making by making sure staff understand why these decisions matter.

We take a long-term financial view of our resources and emerging cost pressures

Through our fiscal sustainability programme, we maintain a long-term view of our financial position. This helps us identify emerging cost pressures early and understand the longer-term impacts of spending and investment decisions.

The multi-year view enables the Customs Executive Board to make informed strategic decisions on managing financial pressures and prioritising activities and investment.

The three main cost pressures Customs is managing are rising salary and wage costs, increasing costs to replace or upgrade assets when they reach the end of their useful lives, and inflationary pressures on other costs.

Maintaining a sector-wide view of financial pressures

We coordinate a consolidated view of border-related costs, fees, levies, and major investment activity across the border sector. This helps the Border Executive Board understand how border services are funded, identify risks to the long-term financial sustainability of the border system, and identify opportunities for agencies to work together.

Strengthening strategic financial management

During 2025/26, we completed a self-assessment against the Treasury's new Strategic Financial Management model. The model and self-assessment process evaluates how effectively agencies use financial and non-financial information to support decision-making, manage resources, and plan for the future.

The assessment highlighted some of the areas where we do well, including understanding the cost of services and outputs, regular forecasting and reporting, and a good understanding by senior managers and the Customs Executive Board of the long-term financial position and underlying trade-offs required to deliver services within baseline funding.

It also identified areas where we can strengthen how financial information can be more effectively used across planning processes to support the effective delivery of our priorities and demonstrate value for money. As this was our first assessment, the results will provide a baseline for measuring progress in future assessments.

Asset management plans support long-term planning

We manage approximately $292 million worth of assets. These include the information systems required to deliver our services and physical assets such as patrol vessels, vehicles, imaging (x-ray) equipment, and new uncrewed surface vessels and underwater camera systems.

The Long-Term Investment Plan is Customs' primary tool for planning investments over the next 10 years. The majority of planned investment is focused on renewing existing assets and systems to maintain service levels and replace assets approaching end of life.

Asset management plans are reviewed at least annually and inform the Investment Plan. Regular reviews mean we can adjust our investment programme as our operating environment or priorities change.

All investments must have a supporting business case approved by the Customs Executive Board. We provide monthly reports to the Board on progress, risks, and delivery milestones for priority and high value projects, supporting senior leaders to maintain oversight, identify emerging issues early, and take action where required.

Assessing our compliance with best practice investment and asset management processes

Each year, government agencies are required to complete a Chief Executive Attestation Statement that measures compliance with Cabinet requirements for investment and asset management performance. For the 2025/26 year, Customs remained compliant with all applicable requirements.

Managing business critical assets

Business critical assets are those IT systems and physical assets that, if not adequately functioning, would impact our ability to deliver core services. This includes the buildings we lease as office accommodation and the information systems we rely on for facilitating trade and travel, the collection of revenue, and managing the risks associated with people and goods crossing the border.

Asset Performance – Information, Communications, and Technology (ICT) Portfolio

The following measures relate to our business-critical ICT systems that support Customs' core functions:

- Joint Border Management System/Trade Single Window (TSW): used to submit information about import and export cargo and excise duty, allowing us to risk assess goods before they depart or arrive in the country
- CusMod border management system: used to process passengers, crew, craft, and goods
- Nexus: a data warehouse that is used by staff to analyse and extract data
- New Zealand Traveller Declaration system: the platform that manages passengers' digital declarations in respect of border requirements
- eGates: automated border processing systems for inbound and outbound passengers
- Customs Financial Management Information System (Ahumoni): supporting day-to-day financial reporting, accounting, and forecasting of expenditure.

The Customs Executive Board receives quarterly reporting on the percentage of time these critical systems are available during the year, as well as any planned or unplanned outages. This enables early detection of any issues. We also monitor any priority one incidents (when critical systems are impacted).

Table 9: ICT asset measure results

Measure	Indicator	Target	2024/25 Actual	2025/26 Actual
Percentage of time systems are available	Availability	**99%**	99.997%	**99.97%**
We had five instances where systems were unavailable due to unplanned outages. TSW and eGates were unavailable for 4 hours and 15 minutes each in November 2025. TSW, CusMod and eGates were unavailable for 1 hour and 52 minutes each in January 2026. This measure excludes planned outages. We advise our customers in advance of planned outages and aim to schedule them for times that minimise disruption to business operations. If planned outages are included, availability was 99.90%.				
Percentage of priority one incidents resolved within agreed support and maintenance service levels	Functionality	**100%**	100%	**N/A**
During 2025/26, there were no priority one incidents where the critical IT assets were identified as the system at fault.				
Percentage of ICT assets fully supported by vendor	Condition	**100%**	100%	**100%**

Asset Performance – Property Portfolio

The following measures relate to our primary office space locations, the Auckland, Wellington, and Christchurch Customhouse buildings. We also monitor the security of sites managed by other agencies, such as Customs Controlled Areas within an airport/port or excise manufacturing area to ensure safe working environments for our people (page 72).

Table 10: Property asset measure results

Measure	Indicator	Target	2024/25 Actual	2025/26 Actual
m^2 per office person	Utilisation	**$12m^2$–$16m^2$**	$14.2m^2$	**$13.1m^2$**
Percentage of building services and other infrastructural services that provide a safe and comfortable environment for staff	Functionality	**100%**	100%	**100%**
We aim to provide workplaces that are comfortable and safe for our people, clients, and visitors. We assess our buildings against safe and comfortable criteria, which includes accessibility, location, safety, security, and fitness for purpose.				
Percentage of buildings not earthquake-prone	Condition	**100%**	100%	**100%**
Buildings meet the minimum required NABERSNZ energy efficiency rating	Condition	**100%**	1 of 2 (50%)	**1 of 2 (50%)**
The NABERSNZ system is an independent tool that rates the energy efficiency of office buildings. Since our Auckland and Wellington Customhouse offices are over $2,000m^2$ they are required to meet the 4 out of 6 stars standard set by the Government Property Office. As at 30 June 2026, our Wellington Customhouse is rated 3.5 stars, and Auckland AECOM Customhouse is rated 4 stars.				

We are working to reduce our carbon emissions

New Zealand's emissions reduction plan contains strategies, policies, and actions for achieving our emissions target and contributing to global efforts to limit temperature rise to 1.5˚C above pre-industrial levels. The Carbon Neutral Government Programme (CNGP) aims to accelerate the reduction of greenhouse gas emissions within the public sector.

Greenhouse Gas emissions

As a CNGP participant we measure and report emissions annually, set gross emissions reduction targets and longer-term reduction plans.

In December 2020, the government established the CNGP to accelerate the reduction of greenhouse gas emissions within the public sector. As part of CNGP, agencies are required to:

- develop emissions reduction targets consistent with New Zealand's obligations under international agreements
- measure, verify, and report on their emissions and the steps they are taking to meet reduction targets
- report their carbon emission data and reduction plans to the Ministry for the Environment.

Customs engages Toitū Envirocare, a leading carbon management certification company, to ensure we are accurately measuring emissions in accordance with international standards set out in ISO14064-1:2018. Toitū independently audits our data to ensure we meet reporting requirements.

In November 2025, the Government announced changes to New Zealand's climate change law to ensure it is working well and as intended. As a result, the public sector is aiming for carbon neutrality by 2050. The collective progress government agencies are making is shown on dashboards available on the Ministry for the Environment's website[10].

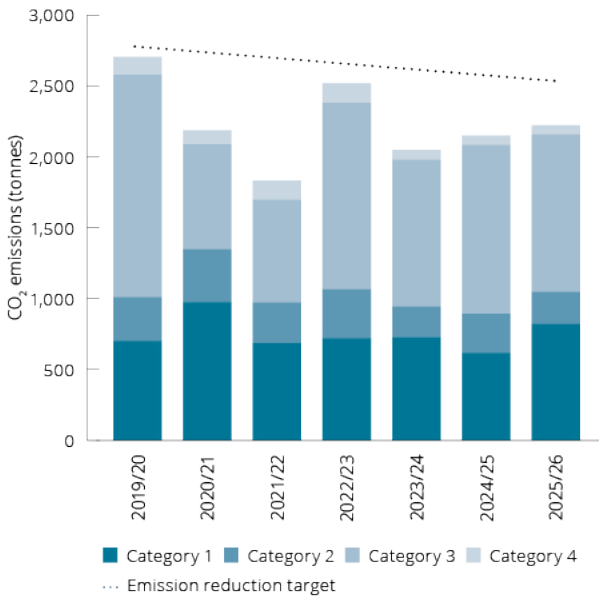
Progress to date

Customs' greenhouse gas emissions for 2025/26 measured 2,222 tCO_2-e. This is a 19.6% reduction on our 2019/20 base year and a 3.3% increase on 2024/25.

Table 11: Emission categories and 2025/26 totals (tCO_2-e)

Category 1: Direct emissions – Fuel, LPG & natural gas distributed commercially, refrigerant gas	820
Category 2: Indirect emissions from imported energy – Electricity	228
Category 3: Indirect emissions from transportation – Air travel, accommodation, rental cars, and taxis	1,110
Category 4: Indirect emissions from products used by organisation – Waste	64

Figure 32: Total emissions by category (measured in tCO_2-e)



10 https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/carbon-neutral-government-programme/tracking-progress/

Fuel consumption (Category 1)

Customs' increase, compared to 2024/25, in direct emissions (Category 1) is primarily attributed to the fuel required to combat the growing risk presented by TSOC groups. Our Detector Dog units and the maritime vessels are our biggest consumers of fuel.

Budget 2026 provides additional funding to transition to more electric or fuel-efficient vehicles and build charging infrastructure. Customs' vehicle fleet is now 43% electric or hybrids; compared to 39% in 2024/25. Petrol and diesel vehicles are only purchased when necessary and alternatives do not meet operational requirements.

Table 12: Vehicle fleet as at 30 June 2026

Type		Total	%
	Battery Electric Vehicles (BEV)	13	7%
	Plug-In Hybrid Electric Vehicles (PHEV)	29	17%
	Hybrid Vehicles (HEV)	34	19%
	Petrol Vehicles (ICE)	37	21%
	Diesel Vehicles (ICE)	62	35%
	Total	**175**	

Electricity (Category 2)

This category of greenhouse gas emissions relates to the electricity used to power Customs' office and operational locations around New Zealand.

We refer to the Government Property Office's strategic direction in our lease negotiations. We monitor the energy efficiency of major office buildings using the National Australian Built Environmental Rating System New Zealand (NABERSNZ) (see page 86).

Travel (Category 3)

Due to operational requirements, Customs has a sustained organisational need to travel both domestically and internationally. We are pursuing improved reporting to better define carbon usage. This will enable us to identify and target travel reduction opportunities.

We reduce air travel, where possible, by consolidating travel or using technology as an alternative to attending meetings in person.

For ground transportation, we choose more environmentally friendly taxi and rental vehicle options, using electric cars where possible.

Waste (Category 4)

Customs is refreshing our uniform range for more multifunctional items that will enable and support our officers to do their work. The new uniform project is considering reuse or recycling to reduce the waste generated by our outdated items.

Meeting broader environmental objectives

We work with the Ministry for the Environment on ways in which border management can contribute to wider environmental objectives.

We are assisting with the review of the Waste Minimisation Act 2008, including the role we play in supporting the Ministry to carry out its functions under the Act.

We contributed to proposals to amend the Waste Minimisation (Tyres) Regulations 2023 to address minor issues. We provide monthly data related to tyre imports under an Information Disclosure Agreement to help the Ministry carry out its functions related to the Tyrewise Accredited Scheme.

ANNUAL FINANCIAL STATEMENTS

Financial overview

The financial statements and notes in the following section of the Annual Report provide an overview of our financial performance for the year ended 30 June 2026.

There are three parts to the financial statements:

- The **appropriation statements** provide an overview of how much it cost to deliver our services and the proportion of our services that are funded by the Crown and by third-party fees and levies ("Other"). These should be read in conjunction with the performance information set out in the *Assessment of operations* section (pages 14–62)
- The **financial statements and notes** provide detailed information on our financial performance at an organisational level
- The **non-departmental statements and schedules** provide detailed information on the appropriations we manage on behalf of the Crown.

Operating expenditure increased in 2025/26 due to new and transferred funding

Our total operating expenditure for the 2025/26 financial year was $282.8 million. This is $10.0 million higher than in 2024/25, reflecting increased activity across several operational and project areas, together with new Budget 2025 funding and funding transferred from previous years.

Most of our operational expenditure is for core services that cover the screening, clearance, and processing of passengers, crew, and goods as they cross the border and the collection of revenue on behalf of the Crown. These services are funded through the Border Clearance and Enforcement multi-category appropriation. The remaining expenditure covered services supporting the work of the Border Executive Board and enhancements to the New Zealand Traveller Declaration system.

Figure 33: Customs expenditure by appropriation ($m)

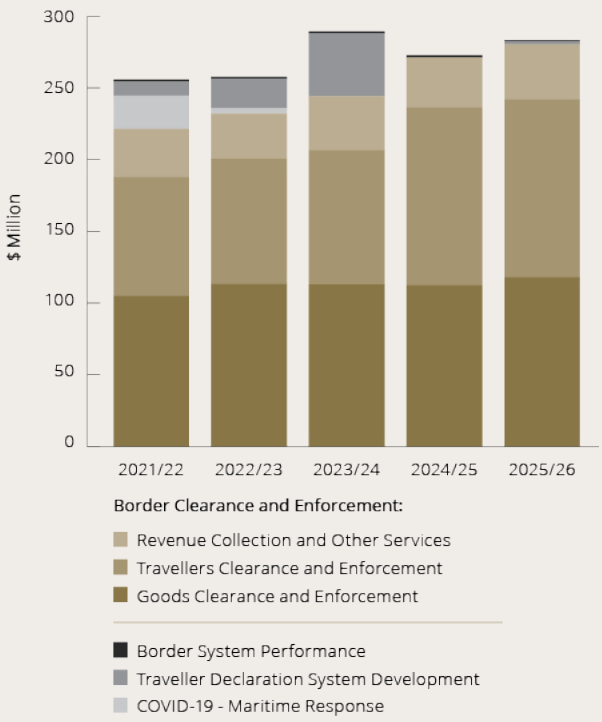
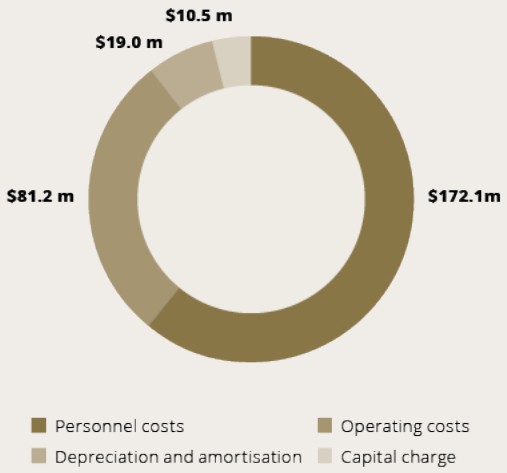


Figure 34: Departmental expenditure by major expense category 2025/26 ($m)



The majority of our expenditure relates to personnel costs

Just under 61% of our expenditure relates to personnel costs. Most of our staff work in operational areas at New Zealand's international air and marine ports. Personnel expenditure increased during 2025/26 as our workforce grew as a result of new services (page 69). This increase was partly offset by lower operating costs, while other costs remained relatively steady.

Managing third-party revenue

Around 65% of our operations are funded through the Border Processing Levy and Goods Management Levies. These levies are managed through memorandum accounts, (page 127) which track the difference between revenue collected and the cost of delivering the services being funded.

When levy and fee rates are reviewed, any accumulated surplus or deficit is taken into account in setting the new rates. The rates are generally set so that memorandum account balances trend towards zero over the levy or fee period, while continuing to recover the forecast cost of delivering the relevant services.

New Goods Management Levies introduced in April 2026

On 1 April 2026, new Goods Management Levies were introduced, replacing the Goods and Cargo Fees. The new levy structure is designed to more accurately reflect the costs incurred in screening and processing goods crossing the border and provide greater fairness for fee payers and taxpayers by removing Crown subsidies (page 50).

Together with a fee increase that came into effect on 1 July 2025, the new Goods Management Levies resulted in a surplus in the memorandum account at 30 June 2026. The memorandum account balance is expected to reduce over the levy period (ending on 30 June 2028).

Introducing the new levies was a significant piece of work across our policy, revenue, and finance teams.

High traveller volumes keep the Border Processing Levy memorandum account in surplus

The Border Processing Levy recovers the costs associated with screening and processing travellers. The revenue collected through the levy was slightly lower than the cost of processing travellers during 2025/26. However, the high volume of travellers meant the memorandum account remains in surplus. This surplus will be factored into the next review of levy rates.

Proactively managing our cost pressures

Our fiscal sustainability programme provides a long-term view of our financial position and emerging cost pressures. Regular reporting helps the Customs Executive Board make informed decisions on the prioritisation of activities and investments.

During the year, we made a deliberate decision to ring-fence savings from our Crown funded services and activities. These savings have been transferred to 2026/27 and 2027/28 to help manage forecast cost pressures.

We also identified ongoing savings across our discretionary operating expenditure to meet the 2% savings from our Crown expenditure required through Budget 2026. These savings will not impact the delivery of core services.

We continue to closely monitor our expenditure to ensure resources are used efficiently and sustainably.

Margaret Topkins

Chief Financial Officer

APPROPRIATION STATEMENTS

Linkages between non-financial and financial performance information

The services we deliver are funded through appropriations within Vote Customs. These appropriations set out what the funding is to be used for and the output performance measures that are used to provide an objective measure on how well we delivered our services.

The *Assessment of operations* section (pages 14-62) provides an overview of what we did with the funding we received, and the impact that funding had. This information needs to be read alongside our appropriation statements, which set out what it cost to deliver our services. Together this information provides an assessment of how effectively we used our funding to achieve our goals.

This section of the report provides an overview of expenditure and revenue for each of our appropriations. Most of our expenditure relates to personnel (salary and wage costs). The Budget figures are those included in the Estimates of Appropriations 2025/26. The Revised Budget figures capture changes approved through the Supplementary Estimates of Appropriations 2025/26.

Read more:

Vote Customs – External Sector – Estimates of Appropriations 2025/26 | The Treasury New Zealand: www.treasury.govt.nz/sites/default/files/2025-05/est25-v3-cust.pdf

Vote Customs – Supplementary Estimates of Appropriations 2025/26 | The Treasury New Zealand: www.treasury.govt.nz/sites/default/files/2026-05/suppest26cust.pdf

Border Clearance and Enforcement Multi-Category Appropriation

The majority of Customs' services are funded through the Border Clearance and Enforcement Multi-Category Appropriation.

Established for the 2024/25 financial year, the appropriation brings traveller and goods clearance, enforcement, and revenue collection services together within a single appropriation. This provides greater flexibility to respond to changing resourcing demands across these services, including those arising from increased volumes or risk management activities, subject to the relevant approval requirements.

The overarching purpose of the appropriation is to deliver services that promote the smooth two-way flow of travellers and goods across the New Zealand and international borders.

There are three categories within the appropriation:

- **Goods Clearance and Enforcement:** provision of services related to goods crossing borders, including trade compliance, and the protection of New Zealand through interventions, investigations, and enforcement
- **Travellers Clearance and Enforcement:** provision of services relating to travellers crossing borders and the protection of New Zealand through interventions, investigations, and enforcement
- **Revenue Collection and Other Services:** the collection of Crown revenue, the provision of Customs-related services, support and advice to other government agencies or organisations, including international Customs organisations, and the provision of advice and services to support Ministers to discharge their portfolio responsibilities relating to Customs.

How we performed

There are four overarching output performance measures for this appropriation:

2024/25 Actual	Measure	2025/26		2026/27 Standard
		Standard	Actual	
99.6%	Percentage of import transactions considered compliant after risk assessment	98%	**99.6%**	99%
99.9%	Percentage of export transactions considered compliant after risk assessment	99%	**99.9%**	99%
98.9%	Percentage of revenue that is collected by the due date	98%	**99.3%**	98%
2.0%	Percentage of arriving international air passengers and crew who are selected for further risk assessment	1%–3%	**2.1%**	1%–3%

For more information on the services and activities delivered through this appropriation, including the full suite of output performance measures, see the *Assessment of operations* section (pages 14–62).

What it cost

Customs' services are funded through a mix of Crown funding and third-party fees and levies. The fees and levies ensure that those who create the risks arising from the movement of people and goods across the border, meet the cost of the services required to manage those risks. See page 50 for more information about our fees and levies.

Border Clearance and Enforcement: **Full Appropriation**

2024/25		2025/26		
Actual $000		**Unaudited Budget $000**	**Unaudited Revised Budget $000**	**Actual $000**
	Revenue			
92,964	Crown	98,813	90,315	90,315
190,964	Other	197,509	207,369	209,440
283,928	**Total revenue**	**296,322**	**297,684**	**299,755**
271,291	**Expenses excluding remeasurements**	**305,989**	**301,723**	**279,864**
12,637	**Surplus/(Deficit)**	**(9,667)**	**(4,039)**	**19,891**

Border Clearance and Enforcement: **Goods Clearance and Enforcement Category**

2024/25		2025/26		
Actual $000		Unaudited Budget $000	Unaudited Revised Budget $000	Actual $000
	Revenue			
55,342	Crown	54,242	47,334	47,334
63,720	Other	78,933	87,701	89,251
119,062	**Total revenue**	**133,175**	**135,035**	**136,585**
112,431	**Expenses excluding remeasurements**	**131,198**	**127,665**	**117,366**
6,631	**Surplus/(Deficit)**	**1,977**	**7,370**	**19,219**

Border Clearance and Enforcement: **Travellers Clearance and Enforcement Category**

2024/25		2025/26		
Actual $000		Unaudited Budget $000	Unaudited Revised Budget $000	Actual $000
	Revenue			
2,235	Crown	4,735	3,984	3,984
125,252	Other	117,082	117,655	118,281
127,487	**Total revenue**	**121,817**	**121,639**	**122,265**
123,888	**Expenses excluding remeasurements**	**133,537**	**133,124**	**124,659**
3,599	**Surplus/(Deficit)**	**11,720**	**(11,485)**	**(2,394)**

Expenditure remained within the authorised amount for the appropriation and each category, after approved changes to category allocations.

Border Clearance and Enforcement: **Revenue and Other Services Category**

2024/25		2025/26		
Actual $000		Unaudited Budget $000	Unaudited Revised Budget $000	Actual $000
	Revenue			
35,387	Crown	39,836	38,997	38,997
1,992	Other	1,494	2,013	1,908
37,379	**Total revenue**	**41,330**	**41,010**	**40,905**
34,972	**Expenses excluding remeasurements**	**41,254**	**40,934**	**37,839**
2,407	**Surplus/(Deficit)**	**76**	**76**	**3,066**

Border System Performance

This appropriation was established to support the Border Executive Board (BEB), which is responsible for providing policy and investment advice and the design and coordination of joint initiatives relating to the border system as a whole. From 11 January 2021 to 31 December 2025 the BEB operated as an interdepartmental executive board and then transitioned to a sector leadership group from 1 January 2026.

The Border System Performance appropriation ceased on 30 June 2026 as it was considered a stand-alone appropriation was disproportionate to the size and accountability requirements of the BEB. Funding was transferred to Customs' Border Clearance and Enforcement appropriation to support the ongoing work of the BEB.

Customs is the servicing department for the BEB and is responsible for financial and non-financial reporting information for the Border System Performance appropriation (see Note 22). The final Annual Report of the Border Executive Board in its role as an interdepartmental executive board was presented to Parliament in March 2026.

How we performed

2024/25 Actual	Measure	2025/26		2026/27 Standard
		Standard	Actual	
Achieved	The BEB work programme has initiatives that respond to risk and drive border system improvement	Achieved	**Achieved**	–
Meets expectations	Satisfaction of the responsible Minister with the provision of coordination, information, and advice	Meets expectations	**Meets and sometimes exceeds expectations**	–

What it cost

Revenue and Output Expense

2024/25		2025/26		
Actual		**Unaudited Budget**	**Unaudited Revised Budget**	**Actual**
$000		**$000**	**$000**	**$000**
	Revenue			
2,167	Crown	1,667	1,667	1,667
283	Other	283	283	–
2,450	**Total revenue**	**1,950**	**1,950**	**1,667**
1,566	**Expenses excluding remeasurements**	**1,950**	**1,950**	**817**
884	**Surplus/(Deficit)**	**–**	**–**	**850**

Read the Border Executive Board Annual Report 1 July 2025 to 31 December 2025:
www.customs.govt.nz/media/rnkpbe41/annual-report-2026-final-annual-report-july-to-december-2025.pdf

Capital Expenditure

This appropriation covers the purchase or development of assets by and for the use of Customs, as authorised by section 24(1) of the Public Finance Act 1989.

How we performed

2024/25 Actual	Measure	2025/26		2026/27 Standard
		Standard	Actual	
Achieved	Expenditure is in accordance with the department's intention to renew and replace computer equipment and software, furniture and fittings, leasehold improvements, motor vehicles and office equipment and plant	Achieved	**Achieved**	Achieved

What it cost

Budgeted and Actual Capital Expenditure

2024/25		2025/26		
Actual		**Unaudited Budget**	**Unaudited Revised Budget**	**Actual**
$000		**$000**	**$000**	**$000**
10,936	Property, plant, and equipment	17,439	13,385	14,603
1,641	Intangibles	3,615	2,615	773
–	Other	–	–	–
12,577	**Total Appropriation**	**21,054**	**16,000**	**15,376**

Appropriation Statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by Customs for the year ended 30 June 2026.

Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations

For the year ended 30 June 2026

Annual and permanent appropriations for Vote Customs

2024/25		2025/26			
Expenditure excluding remeasurements $000		Total expenditure $000	Remeasurements[11] $000	Expenditure excluding remeasurements $000	Approved Appropriation 2026[12] $000
	Departmental output expenses				
112,431	Goods Clearance and Enforcement	117,366	(6)	117,372	127,665
123,888	Travellers Clearance and Enforcement	124,659	(6)	124,665	133,124
34,972	Revenue Collection and Other Services	37,839	(2)	37,841	40,934
1,566	Border System Performance	817	–	817	1,950
272,857	**Total departmental output expenses**	**280,681**	**(14)**	**280,695**	**303,673**
	Departmental capital expenditure				
12,577	New Zealand Customs Service – capital expenditure PLA[13]	**15,376**	–	**15,376**	**21,054**
	Non-departmental output expenses				
285	Independent Advice to Ministers	224	–	224	275
285	**Total non-departmental output expenses**	**224**	**–**	**224**	**275**
	Non-departmental other expenses				
2,142	Change in Doubtful Debt Provision	7,440	–	7,440	16,000
78	World Customs Organization	77	–	77	80
2,220	**Total non-departmental other expenses**	**7,517**	**–**	**7,517**	**16,080**
287,939	**Total annual and permanent appropriations**	**303,798**	**(14)**	**303,812**	**341,082**

11 Remeasurements are the movement brought about by the change in the discount rate applied to non-current employee entitlements (Note 12, page 120).

12 These are the appropriations from *The Supplementary Estimates of Appropriations 2025/26.*

13 Permanent Legislative Authority under section 24(1) of the Public Finance Act.

Multi-year appropriation

Appropriation name: Traveller Declaration System Development

This was a multi-year appropriation to cover the provision of services relating to the development of policies, procedures, and systems to assess travellers for risk, including health risk, when crossing the New Zealand border. The appropriation started on 1 September 2021 and expired on 30 June 2026. The expenditure in the 2025/26 financial year related to enhancements to the New Zealand Traveller Declaration (NZTD) system to improve the traveller experience. The remaining unspent funding of $3.126 million will be returned to the Crown as part of the operating surplus.

2024/25		2025/26
$000		**$000**
	Traveller Declaration System Development	
42,300	Original appropriation	42,300
37,600	Cumulative adjustments	37,600
79,900	**Total adjusted approved appropriation**	**79,900**
74,675	Cumulative actual expenditure as at 1 July	74,675
–	Current year actual expenditure	2,099
74,675	**Cumulative actual expenditure as at 30 June**	**76,774**
5,225	Appropriation remaining as at 30 June	**3,126**

Operating Expenditure Appropriations Summary

For the year ended 30 June 2026

2024/25		2025/26
Actual $000		**Actual $000**
272,814	Annual Appropriations	280,681
–	Traveller Declaration System Development multi-year appropriation	2,099
272,814	**Total Operating Expenditure**	**282,780**

The 2025/26 performance information for each departmental appropriation administered by Customs has been reported in this annual report.

The 2025/26 performance information for each non-departmental appropriation has been reported by the Minister of Customs in a report appended to the New Zealand Customs Service Annual Report in this document.

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Other Authority

For the year ended 30 June 2026

Customs:

- did not incur any departmental expenses or capital expenditure without appropriation or other authority or outside the scope or period of the appropriation (2024/25 financial year: nil)
- did not incur any expenditure in departmental output appropriations in excess of appropriation (2024/25 financial year: nil)
- incurred expenditure in one non-departmental output appropriation in excess of appropriation during the year (2024/25 financial year: nil).

Expense and capital expenditure under section 26C of the Public Finance Act 1989

The Vote Customs non-departmental output expense appropriation *Independent Advice to Ministers* funded the time-limited Ministerial Advisory Group on Transnational, Serious and Organised Crime. This group provided independent advice to Ministers on strategies to combat the growing threat posed by international and domestic criminal networks.

In September 2025, in order to meet a Cabinet reporting deadline, the members of the Ministerial group were required to work additional hours and obtain additional support. As a result, year-to-date expenditure exceeded available funding by $15,887.

As part of the 2025 March Baseline Update, an expense transfer of $0.062 million was approved in principle to carry forward 2024/25 underspend into 2025/26. Because this expenditure was incurred before the transfer was confirmed, a temporary funding shortfall arose. To address this, joint Ministers approved early confirmation of the transfer in October 2025, ensuring sufficient funding was available to complete the work programme. Total expenditure for the 2025/26 financial year remained within the overall appropriation.

Expense type	Appropriation name	Appropriation at the time of breach $000	Amount without appropriation $000
Non-Departmental Output Expense	Independant Advice to Ministers	193	16

Statement of Departmental Capital Injections

For the year ended 30 June 2026

2024/25		2025/26		
Actual $000		Unaudited Budget $000	Unaudited Revised Budget $000	Actual $000
	Vote Customs			
–	Capital injections	550	1,550	1,550
–	Capital withdrawals			
–	**New Zealand Customs Service – net capital injection**	**550**	**1,550**	**1,550**

In the 2025/26 financial year, Customs received capital injections of $1 million to support investment in fuel resilience and $0.550 million to support investment in enhanced border security to combat transnational and serious organised crime at the border.

Statement of Departmental Capital Injections without, or in excess of, Authority

For the year ended 30 June 2026

In the 2025/26 financial year, Customs did not receive any capital injections without, or in excess of, authority (2024/25: nil).

FINANCIAL STATEMENTS

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2026

2024/25			2025/26			2026/27
Actual			Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
$000		Note	$000	$000	$000	$000
	Revenue					
95,131	Crown	2	105,705	97,207	97,207	87,462
191,247	Other revenue	2	197,792	207,652	209,440	248,760
286,378	***Total revenue***		**303,497**	**304,859**	**306,647**	**336,222**
	Expenses					
156,381	Personnel costs	3	175,289	166,106	172,125	185,395
83,435	Operating costs	4	104,073	109,026	81,176	113,398
22,118	Depreciation and amortisation expense	5	22,894	22,672	18,964	18,965
10,880	Capital charge	6	10,908	11,094	10,515	10,515
272,814	***Total expenses***		**313,164**	**308,898**	**282,780**	**328,273**
13,564	**Total comprehensive revenue and expense**		**(9,667)**	**(4,039)**	**23,867**	**7,949**

Statement of Changes in Equity

For the year ended 30 June 2026

2024/25			2025/26			2026/27
Actual			Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
$000		Note	$000	$000	$000	$000
216,620	**Taxpayers' funds at 1 July**		**199,124**	**220,258**	**220,258**	**234,399**
13,564	Total comprehensive revenue and expense for the year		(9,667)	(4,039)	23,867	7,949
–	Capital injections		550	1,550	1,550	6,281
(9,926)	Provision for return of surplus	11	–	–	(11,276)	–
220,258	**Taxpayers' funds at 30 June**		**190,007**	**217,769**	**234,399**	**248,629**

Explanations of major variances against budget are provided in Note 23.

The accompanying accounting policies and notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2026

2024/25			2025/26			2026/27
Actual			**Unaudited Budget**	**Unaudited Supps**	**Actual**	**Unaudited Forecast**
$000		**Note**	**$000**	**$000**	**$000**	**$000**
	Current assets					
86,870	Cash and cash equivalents		44,409	43,835	77,217	65,649
2,621	Prepayments		5,627	5,627	3,268	7,627
85,147	Debtors and receivables	7	71,928	97,891	108,498	128,039
174,638	***Total current assets***		**121,964**	**147,353**	**188,983**	**201,315**
	Non-current assets					
35,778	Property, plant and equipment	8	21,132	34,972	42,349	30,832
71,166	Intangible assets	9	87,596	71,166	60,969	51,351
399	Receivables and advances		–	–	13	–
107,343	***Total non-current assets***		**108,728**	**106,138**	**103,331**	**82,183**
281,981	**Total assets**		**230,692**	**253,491**	**292,314**	**283,498**
	Current liabilities					
30,240	Creditors and payables	10	22,683	17,720	23,611	20,489
12,291	Employee entitlements	12	11,302	11,302	14,440	9,070
9,926	Provision for repayment of surplus to the Crown	11	–	–	11,276	–
–	Other short term liabilities	13	208	208	–	208
52,457	***Total current liabilities***		**34,193**	**29,230**	**49,326**	**29,767**
	Non-current liabilities					
2,852	Employee entitlements	12	3,742	3,742	1,892	2,852
6,414	Other long term provisions	14	2,750	2,750	6,697	2,250
9,266	***Total non-current liabilities***		**6,492**	**6,492**	**8,589**	**5,102**
61,723	**Total liabilities**		**40,685**	**35,722**	**57,915**	**34,869**
220,258	**Net assets**		**190,007**	**217,769**	**234,399**	**248,629**
	Equity					
211,291	Crown capital and retained earnings	15	190,007	217,769	212,563	248,629
8,967	Memorandum accounts (net position)	15	–	–	21,836	–
220,258	**Total equity at 30 June**		**190,007**	**217,769**	**234,399**	**248,629**

Explanations of major variances against budget are provided in Note 23.

The accompanying accounting policies and notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2026

2024/25			2025/26			2026/27
Actual $000		Note	Unaudited Budget $000	Unaudited Supps $000	Actual $000	Unaudited Forecast $000
	Cash flows from operating activities					
	Cash was provided from:					
69,706	Crown		125,705	97,207	74,301	84,202
188,293	Other revenue		197,792	207,652	207,588	247,925
	Cash was applied to:					
(157,005)	Personnel		(194,173)	(165,990)	(172,743)	(184,346)
(77,518)	Operating		(76,938)	(146,435)	(84,647)	(123,030)
(1,951)	Goods and Services Tax (net)		–	–	–	–
(10,880)	Capital charge		(10,908)	(11,094)	(10,515)	(10,914)
10,645	***Net cash flow from operating activities***	20	**41,478**	**(18,660)**	**13,983**	**13,837**
	Cash flows from investing activities					
	Cash was provided from:					
195	Sale of fixed assets		–	–	78	–
	Cash was disbursed to:					
(10,936)	Purchase of fixed assets		(6,639)	(13,385)	(14,395)	(18,100)
(1,213)	Purchase of intangible assets		(21,053)	(2,615)	(943)	(2,310)
(11,954)	***Net cash flow from investing activities***		**(27,692)**	**(16,000)**	**(15,260)**	**(20,410)**
	Cash flows from financing activities					
	Cash was provided from:					
–	Capital injections received		550	1,550	1,550	6,281
	Cash was disbursed to:					
(11,513)	Repayment of surplus		–	(9,926)	(9,926)	(11,276)
(11,513)	***Net cash flow from financing activities***		**550**	**(8,376)**	**(8,376)**	**(4,995)**
(12,824)	**Net increase/(decrease) in cash**		**14,336**	**(43,036)**	**(9,653)**	**(11,568)**
99,694	**Cash at the beginning of the year**		**30,073**	**86,871**	**86,870**	**77,217**
86,870	**Cash at the end of the year**		**44,409**	**43,835**	**77,217**	**65,649**

Explanations of major variances against budget are provided in Note 23.

The accompanying accounting policies and notes form part of these financial statements.

Statement of Commitments

As at 30 June 2026

2024/25		2025/26
Actual $000		**Actual $000**
	Non-cancellable operating lease commitments	
13,823	Not later than one year	15,199
16,993	Later than one year and not later than five years	13,383
12,011	Later than five years	12,098
42,827	***Total non-cancellable operating commitments***	**40,680**
42,827	**Total commitments**	**40,680**

Capital commitments

Customs has no capital commitments as at 30 June 2026 (2024/25: nil).

Non-cancellable operating lease commitments

Customs has long-term leases on its premises throughout the country and overseas. Annual lease payments on the three largest leases, located in Auckland, Wellington, and Christchurch, are reviewed every three years. Other leases are subject to a range of review periods.

The amounts disclosed above as future commitments are based on the current rental rates.

As of 30 June 2026, Customs does not have any non-cancellable sublease-of-premises-receipts due over the next 10 financial years (30 June 2025: nil).

Customs also has several non-cancellable software licence and support agreements for which it is bound to pay for the length of the agreement or a cancellation fee.

The accompanying accounting policies and notes form part of these financial statements.

Statement of Departmental Contingent Liabilities and Assets

As at 30 June 2026

Contingent liabilities are disclosed where there is a possible obligation arising from past events, or a present obligation that is not recognised because an outflow of resources is not probable or the amount cannot be measured reliably.

Contingent liabilities are not disclosed where the possibility of an outflow is remote. Contingent assets are disclosed where an inflow of economic benefits or service potential is probable.

Customs has no quantifiable contingent assets as at 30 June 2026 (30 June 2025: nil). Customs has no unquantifiable contingent assets as at 30 June 2026 (30 June 2025: nil).

Customs has quantifiable contingent liabilities of $50,000 as at 30 June 2026 (30 June 2025: $180,000). Customs has no unquantifiable contingent liabilities as at 30 June 2026 (30 June 2025: nil).

Schedule of Trust Monies

For the year ended 30 June 2026

	At 1 July 2025			At 30 June 2026
Account	**$000**	**Contributions $000**	**Distributions $000**	**$000**
Customs Regional Deposit/Bonds Trust No.1, No.2 and No.3	18,240	5,398	5,227	18,411
New Zealand Customs Service Multiple Deposit Scheme Release Trust	205	5,482	5,520	167
New Zealand Customs Service Multiple Deposit Scheme Suspense Trust	215	9,254	6,910	2,559
Total	**18,660**	**20,134**	**17,657**	**21,137**

The accompanying accounting policies and notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2026

Note 1: Statement of accounting policies

Reporting entity

Customs is a government department as defined by section 5 of the Public Service Act 2020 and is domiciled and operates in New Zealand. The relevant legislation governing Customs' operations includes the Public Finance Act 1989, the Public Service Act 2020, and the Customs and Excise Act 2018 and related regulations.

Customs is a wholly owned entity of the Crown whose primary objective is to facilitate the movement of people, goods, and craft across the border and protect New Zealand's border and revenue. Customs does not operate to make a financial return. Accordingly, Customs is a Public Benefit Entity (PBE) under the External Reporting Board standards framework.

In addition, Customs has reported on Crown activities in the non-departmental statements and schedules beginning on page 130 and trust monies which it administers on page 107.

Reporting period

The reporting period for these financial statements is the year ended 30 June 2026. The forecast financial statements are for the year ending 30 June 2027. The financial statements were authorised by the Comptroller of Customs on 29 September 2026.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies set out below and in the notes to the financial statements have been applied consistently to all periods presented in these financial statements.

These financial statements have been prepared on an historical cost basis, unless otherwise stated. The accrual basis of accounting has been used.

Statement of compliance

The financial statements of Customs have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP), and Treasury Instructions.

These financial statements have been prepared in accordance with Tier 1 PBE accounting standards, and comply with PBE International Public Sector Accounting Standards (IPSAS).

Functional and presentation currency

These financial statements are presented in New Zealand dollars rounded to the nearest thousand dollars ($000), other than the key management personnel disclosure in Note 18. These disclosures are rounded to the nearest dollar. The functional currency of Customs is New Zealand dollars.

Accounting standards issued and adopted in 2025/26

There are no new accounting standards issued and adopted in 2025/26.

Accounting standards issued and not yet effective and not early adopted

PBE IFRS 17 Insurance Contracts in the Public Sector

PBE IFRS 17 is effective for the year ending 30 June 2027. Customs has determined that no changes will be required to comply with this amendment. Customs does not currently have arrangements covered by this standard.

Critical accounting estimates and assumptions

In preparing these financial statements, Customs has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in respect of:

- assessing the impairment of debtors and receivables – see Note 7
- assessing the useful lives of software – see Note 9
- measuring long service leave entitlements and retirement gratuities – see Note 12.

Accounting policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note and which materially affect the measurement of financial results, the financial position and output statements section are outlined below.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the financial results.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held on call with banks.

Customs is only permitted to spend its cash and cash equivalents within the scope and limits of its appropriations.

Goods and Services Tax

All items in the financial statements, including appropriation and output statements, are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the Statement of Financial Position. The net GST paid to, or received from, Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided for.

Budget figures

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

The budget figures are not subject to audit.

The 2025/26 'Budget' figures were those published in the 2024/25 annual report and the Government's *The Estimates of Appropriations for the year ending 2025/26*. The 2025/26 'Supps' figures are those published in *The Supplementary Estimates of Appropriations 2025/26*.

Forecast figures

The forecast figures for 2026/27 are the best estimate financial forecast information submitted to the Treasury for the *Pre-election Economic and Fiscal Update for the year ending 2026/27*.

The forecast figures in the financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989 to communicate forecast financial information for accountability purposes. They are compliant with PBE FRS 42 *Prospective Financial Statements*.

The forecasts have been compiled on the basis of existing government policies and ministerial expectations at the time the statements were finalised.

The forecast revenue for fees and levies is based on forecast traveller volumes and import and export activity derived from scenario modelling agreed by border and transport agencies in August 2026.

Significant assumptions used in preparing the forecast financial information

The main assumptions are as follows:

- Customs' activities will remain substantially the same as for the previous year
- operating costs are based on historical trends, adjusted for the savings identified and implemented
- no allowances have been made for general cost and/or inflationary pressures
- the actual year-end information for 2025/26 was used as the opening position for the 2026/27 forecasts.

Variation to forecast

The actual financial results for the forecast period ending 30 June 2027 are likely to vary from the forecast information presented. Factors that may lead to a material difference include:

- changes due to initiatives approved by Cabinet
- technical adjustments to the budget including transfers between financial years
- macroeconomic impacts on estimations, judgements, and assumptions
- the timing of expenditure relating to significant programmes and projects.

Cost allocations

Customs has determined the cost of outputs using an activity based costing methodology.

The activity based costing is a two-step costing methodology based on the premise that activities consume resources, and services consume activities. Cost drivers are selected having regard to the materiality and nature of the costs, and operational systems inform those causal drivers that assign activity costs to services.

Corporate services are analysed and the cost of each service assigned to those who consume them in the first stage of this costing.

Business sustaining activity costs are assigned across services in proportion to their cost.

The methodology adopted complies with Treasury Guidelines and provides a logical and equitable view of the true cost of each service.

Changes in accounting policies

There have been no changes in accounting policies since 30 June 2025.

Comparatives

When presentation or classification of items in the financial statements are amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Note 2: Revenue

Customs derives revenue through the provision of outputs to the Crown, and services to third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates.

The specific accounting policies for major revenue items are explained below.

Revenue from the Crown

Revenue from the Crown is treated as a non-exchange transaction and is measured based on Customs' funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

This treatment is based on the view that there are no use or return conditions attached to the funding from the Crown. However, Customs can incur expenses only within the scope and limits of its appropriations.

The fair value of revenue from the Crown is considered equivalent to the funding entitlement.

Other Revenue

Revenue from the application and processing fees is measured at the fair value of consideration received. Revenue from the supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from the supply of services is recognised at balance date on a straight-line basis over the specified period for the services unless an alternative method better represents the stage of completion of the transaction.

Statutory levies

Revenue from statutory levies is recognised when the obligation to pay the levy is incurred. Although there are restrictions on how levy funding may be spent, including the requirement to manage deficits and surpluses by means of a memorandum account, there are no conditions attached to the levies that give rise to obligations to return levies to levy payers.

2024/25		2025/26	
Actual $000		**Unaudited Budget $000**	**Actual $000**
123,465	Border Processing Levy	110,651	117,012
54,963	Goods Management Levies	75,865	80,505
3,059	Cost recoveries	2,192	2,318
9,735	Sale of goods and services	9,069	9,589
25	Compliance	15	16
191,247	**Total other revenue**	**197,792**	**209,440**

Note 3: Personnel costs

Personnel costs are recognised as an expense in the period to which they relate. Employer contributions to defined contribution plans include contributions to the State Sector Retirement Savings Scheme, KiwiSaver, and the Government Superannuation Fund.

2024/25		2025/26	
Actual $000		**Unaudited Budget $000**	**Actual $000**
145,463	Salaries and wages	162,697	154,944
4,510	Employer contributions to defined contribution plans	4,770	4,971
6,408	Other personnel expenses	7,822	12,210
156,381	**Total personnel costs**	**175,289**	**172,125**

Note 4: Operating costs

Operating costs are recognised as an expense in the period to which they relate.

2024/25		2025/26	
Actual $000		**Unaudited Budget $000**	**Actual $000**
21,244	IT Infrastructure management	26,926	28,841
10,345	Computer equipment costs	13,598	10,881
9,691	Operating lease rentals	12,444	9,607
4,494	Travel and accommodation	5,162	4,574
5,821	Occupancy costs (excluding rentals)	6,853	6,124
16,162	Consultants and professional fees	19,927	5,142
3,517	Repairs and maintenance	4,447	3,611
2,883	Communication costs	3,183	2,762
1,672	Insurance	2,799	1,615
413	Fees paid to the Audit Office for the financial statement audit	439	436
(78)	Net (gain)/loss on sale of fixed assets	(14)	(45)
78	Net foreign exchange losses	102	86
12	Expected credit loss on financial assets (refer note 7)	–	1,154
7,181	Other operating costs	8,207	6,388
83,435	**Total operating costs**	**104,073**	**81,176**

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Note 5: Depreciation and amortisation

Depreciation is provided on a straight-line basis on all property, plant, and equipment, other than work in progress. The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. For further details refer to the policy on property, plant, and equipment in Note 8 and intangible assets in Note 9.

2024/25		2025/26	
Actual $000		**Unaudited Budget $000**	**Actual $000**
	Depreciation		
798	Leasehold improvements	1,182	1,352
71	Office equipment	158	180
2,665	Other equipment and plant	2,313	2,645
58	Furniture and fittings	135	154
2,142	Computer equipment	1,602	1,832
577	Motor vehicles	443	507
318	Launch and watercraft	1,010	1,155
6,629	***Total depreciation***	**6,843**	**7,824**
	Amortisation		
15,489	Intangible assets – computer software	16,051	11,140
22,118	**Total depreciation and amortisation cost**	**22,894**	**18,964**

Note 6: Capital charge

The capital charge is recognised as an expense in the financial year to which the charge relates. Customs pays a capital charge to the Crown on its equity (adjusted for memorandum accounts and donated assets) as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2026 was 5.0% (1 July 2024 to 30 June 2025: 5.0%).

Note 7: Debtors and receivables

Debtors and other receivables are initially measured at the amount due and assessed annually for impairment.

Short-term receivables are recorded at the amount due, less an allowance for credit losses. Customs applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Revenue and Expense.

2024/25		2025/26
Actual $000		**Actual $000**
2,407	Receivables – Goods Cost Recovery	7,349
5,780	Receivables	6,891
19,723	Receivables – Border Processing Levy	15,252
27,910	**Gross trade receivables**	**29,492**
(2,208)	Less: allowance for credit losses	(3,344)
25,702	**Net trade receivables (exchange transactions)**	**26,148**
59,445	Debtor – Crown (non-exchange transactions)	82,350
85,147	**Total receivables**	**108,498**

Overdue receivables that are renegotiated are reclassified as current (i.e. not past due).
The allowance for credit losses is determined as follows:

30 June 2026	**Receivables days past due**				
	Current	**31–60 days**	**61–90 days**	**>90 days**	**Total**
Expected credit loss rate	2%	88%	100%	91%	
Carrying amount ($000)	26,279	715	528	1,970	**29,492**
Lifetime expected credit loss ($000)	396	632	527	1,789	**3,344**

30 June 2025	**Receivables days past due**				
	Current	**31–60 days**	**61–90 days**	**>90 days**	**Total**
Expected credit loss rate	1%	14%	80%	88%	
Carrying amount ($000)	25,473	449	520	1,468	**27,910**
Lifetime expected credit loss ($000)	331	61	415	1,401	**2,208**

The movement in the allowance for expected credit losses is as follows:

2024/25		2025/26
Actual $000		**Actual $000**
2,570	Balance as at 1 July	2,208
(350)	Increase/(Decrease) in loss allowance made during the year	1,154
(12)	Receivables written off during the year	(18)
2,208	**Balance as at 30 June**	**3,344**

Note 8: Property, plant, and equipment

Customs' property, plant, and equipment includes leasehold improvements, furniture and office equipment, plant and equipment, computer hardware, motor vehicles, launches, and watercraft.

Property, plant, and equipment is stated at historical cost less accumulated depreciation and impairment losses.

All property, plant, and equipment costing individually $5,000 or more, or as a group of assets more than $20,000, are capitalised.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to Customs and the cost of the item can be measured reliably.

In most instances, an item of property, plant, and equipment is recognised at its cost. Where an asset is acquired at no cost or a nominal cost, it is recognised at fair value as at the date of acquisition.

Work in progress is recognised at cost less impairment.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses are recognised on a net basis in the Statement of Comprehensive Revenue and Expense.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits or service potential associated with the item will flow to Customs and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives of major classes of assets have been estimated as follows:

Furniture and office equipment	4 – 10 years
Plant and equipment	4 – 15 years
Computer hardware	4 – 5 years
Motor vehicles	5 years
Launches and watercraft	5 – 25 years
Leasehold improvements	5 – 24 years

Launches are being depreciated at various rates according to the life expectancy of the underlying components.

The cost of leasehold improvements is depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if appropriate, at each balance date.

Impairment

Property, plant, and equipment, and intangible assets that have a finite useful life, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining service potential.

The reversal of an impairment loss is recognised in the Statement of Comprehensive Revenue and Expense.

	Leasehold Improvements $000	Office Equipment $000
Cost		
Balance at 1 July 2024	18,954	919
Additions	–	–
Disposals	–	–
Work in progress movement	8,614	48
Balance at 30 June 2025	**27,568**	**967**
Balance of work in progress	10,481	91
Balance at 1 July 2025	**27,568**	**967**
Additions	8,656	368
Disposals	(2,565)	(159)
Work in progress movement	(8,050)	209
Balance at 30 June 2026	**25,609**	**1,385**
Balance of work in progress	2,431	300
Accumulated depreciation		
Balance at 1 July 2024	**15,022**	**813**
Depreciation expenses	798	71
Disposals	–	–
Balance at 30 June 2025	**15,820**	**884**
Balance at 1 July 2025	**15,820**	**884**
Depreciation expenses	1,352	180
Disposals	(2,565)	(159)
Balance at 30 June 2026	**14,607**	**905**
Carrying amount		
At 1 July 2024	**3,932**	**106**
At 30 June 2025	**11,748**	**83**
At 30 June 2026	**11,002**	**480**

Plant & Other Equipment $000	Furniture & Fittings $000	Computer Equipment $000	Motor Vehicle $000	Launches/ Watercraft $000	Total $000
61,257	730	24,505	7,466	5,855	119,686
5,782	559	373	405	634	7,753
(3)	–	–	(556)	–	(559)
(3,086)	–	2,086	(28)	–	7,634
63,950	**1,289**	**26,964**	**7,287**	**6,489**	**134,514**
(344)	–	2,955	(1)	–	13,182
63,950	**1,289**	**26,964**	**7,287**	**6,489**	**134,514**
2,950	257	3,573	969	–	16,773
(3,279)	(209)	(3)	(171)	–	(6,386)
4,697	–	179	626	–	(2,339)
68,318	**1,337**	**30,713**	**8,711**	**6,489**	**142,562**
4,353	–	3,134	625	–	10,843
48,941	**791**	**20,740**	**4,497**	**1,745**	**92,549**
2,687	58	2,142	555	318	6,629
(3)	–	–	(439)	–	(442)
51,625	**849**	**22,882**	**4,613**	**2,063**	**98,736**
51,625	**849**	**22,882**	**4,613**	**2,063**	**98,736**
2,644	154	1,832	507	1,155	7,824
(3,277)	(209)	(3)	(134)	–	(6,347)
50,992	**794**	**24,711**	**4,986**	**3,218**	**100,213**
12,316	**(61)**	**3,765**	**2,969**	**4,110**	**27,137**
12,325	**440**	**4,082**	**2,674**	**4,426**	**35,778**
17,326	**543**	**6,002**	**3,725**	**3,271**	**42,349**

Note 9: Intangible assets

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are expensed when incurred. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development, employee costs, and an appropriate portion of relevant overheads.

Staff training costs are expensed when incurred.

	Acquired Software $000	Internally Generated Software $000	Total $000
Cost			
Balance at 1 July 2024	25,907	179,619	205,526
Additions	267	1,871	2,138
Work in progress movement	–	(3,077)	(3,077)
Balance at 30 June 2025	**26,174**	**178,413**	**204,587**
Balance of work in progress	117	1,257	1,374
Balance at 1 July 2025	**26,174**	**178,413**	**204,587**
Additions	404	369	773
Disposals	(1,422)	(5,744)	(7,166)
Work in progress movement	69	101	170
Balance at 30 June 2026	**25,225**	**173,139**	**198,364**
Balance of work in progress	186	1,358	1,544
Accumulated amortisation			
Balance at 1 July 2024	22,493	95,439	117,932
Amortisation expenses	1,742	13,747	15,489
Balance at 30 June 2025	**24,235**	**109,186**	**133,421**
Balance at 1 July 2025	24,235	109,186	133,421
Amortisation expenses	1,417	9,723	11,140
Disposals	(1,422)	(5,744)	(7,166)
Balance at 30 June 2026	**24,230**	**113,165**	**137,395**
Carrying amount			
At 1 July 2024	**3,414**	**84,180**	**87,594**
At 30 June 2025	**1,939**	**69,227**	**71,166**
At 30 June 2026	**995**	**59,974**	**60,969**

There are no restrictions over the title of Customs' intangible assets, nor are any intangible assets pledged as security for liabilities.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. The amortisation charge for each period is recognised in the Statement of Comprehensive Revenue and Expense.

The useful lives of intangible assets have been estimated as follows:

- Computer software 5 to 15 years

Intangible assets are tested annually for impairment. Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation.

Note 10: Creditors and payables

Creditors and other payables are non-interest bearing and are normally settled on 10-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

2024/25		2025/26
Actual $000		**Actual $000**
	Payables under exchange transactions	
3,698	Trade creditors	4,817
436	Deferred revenue	181
15,667	Accrued expenses	10,600
8,621	MPI – Border Processing Levy	6,139
28,422	***Total payables under exchange transactions***	**21,737**
	Payables under non-exchange transactions	
1,818	GST payable	1,874
1,818	***Total payables under non-exchange transactions***	**1,874**
30,240	**Total creditors and payables**	**23,611**

Note 11: Return of operating surplus

A surplus is required to be paid to the Crown by 31 October each year. The negative provision for repayment of operating surplus reflects adjustments made to the timing of revenue drawdowns for the multi-year Traveller Declaration System Development appropriation during the year.

2024/25		2025/26
Actual $000		**Actual $000**
13,564	Net surplus/(deficit)	23,867
(3,638)	Add (surpluses)/deficits of memorandum accounts	(12,591)
9,926	**Provision for repayment of operating surplus**	**11,276**

Note 12: Employee entitlements

Current employee entitlements

Employee entitlements that Customs expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

Customs recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. Customs does not expect absences in the coming year will exceed the entitlements earned.

Non-current employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis, by an independent valuer, Eriksen Global. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information
- the present value of the estimated future cash flows using an applicable discount rate and salary inflation rate.

A weighted average discount rate of 4.26% (2024/25: 4.66%) and a salary inflation rate of 2.50% (2024/25: 2.50%) were used. The discount rates are the risk free discount rates published by the Treasury as at 30 June 2026. The inflation rate is based on the expected long-term increase in remuneration for employees as supplied by the Treasury.

Retirement leave

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver, and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the Statement of Comprehensive Revenue and Expense as incurred.

2024/25		2025/26
Actual $000		**Actual $000**
	Current liabilities	
1,275	Personnel accruals	2,851
10,106	Annual leave	10,637
910	Retirement and long service leave	952
12,291	***Total current portion***	**14,440**
	Non-current liabilities	
2,852	Retirement and long service leave	1,892
2,852	***Total non-current portion***	**1,892**
15,143	**Total employee entitlements**	**16,332**

Note 13: Other short term liabilities

Customs has no other short-term liabilities as at 30 June 2026 (30 June 2025: nil).

Note 14: Other long term provisions

Customs recognises a provision for future expenditure of uncertain amounts or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in finance expenses.

Movements in provisions are as follows:

	Lease Make-Good $000	Lease Incentive $000	Total $000
Balance as at 1 July 2024	3,784	–	**3,784**
Additional provisions made	–	3,048	**3,048**
Amounts used	(345)	(73)	**(418)**
Balance as at 30 June 2025	**3,439**	**2,975**	**6,414**
Additional provisions made	500	–	**500**
Lease incentive changes	–	(217)	**(217)**
Long term provisions as at 30 June 2026	**3,939**	**2,758**	**6,697**

In respect of a number of its leased premises, Customs is required at the expiry of the lease term to make good any damage caused, or alterations made, to the premises and to remove any fixtures or fittings installed. In many cases Customs has the option to renew these leases, which impacts on the timing of expected cash outflows to make good the premises.

During the year, Customs reviewed its lease make-good provisions to ensure they remained appropriate and reflected current market conditions. As a result, provisions for cargo inspection facilities and smaller office sites were updated to better reflect inflation, increased restoration costs, and the specialised nature of certain operational fit-outs.

Customs received a lease incentive in relation to a leased property. The lease incentive is recognised as a liability and amortised over the lease term. The remaining balance represents the portion of the incentive not yet recognised in rental expense and may be repayable if the lease is terminated before the end of its term.

Note 15: Equity

Equity is the Crown's investment in Customs and is measured as the difference between total assets and total liabilities.

2024/25		2025/26
Actual $000		**Actual $000**
	Crown capital and retained earnings	
218,600	Balance at 1 July	211,291
13,564	Surplus/(deficit)	23,867
(10,947)	Transfer of memorandum account net (surplus)/deficit for the year	(12,869)
(9,926)	Return of operating surplus to the Crown	(11,276)
–	Capital (withdrawal)/injection	1,550
211,291	***Balance at 30 June***	**212,563**
	Memorandum accounts	
(1,980)	Balance at 1 July	8,967
10,947	Net memorandum account net surplus/(deficit) for the year	12,869
8,967	***Balance at 30 June***	**21,836**
220,258	**Total equity at 30 June**	**234,399**

Note 16: Financial instruments

Customs' activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. Customs has policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. Customs does not enter into any transactions that are speculative in nature.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risks arise from overseas posts operations, which is denominated in a foreign currency. In 2025/26 Customs had twelve overseas posts and operated two foreign currency bank accounts. Customs is exposed to currency risk arising from various currency exposures, primarily with respect to the United States dollar and Thai baht.

Customs' foreign exchange management policy requires it to manage currency risk arising from future transactions and recognised liabilities by entering into foreign exchange forward contracts to reduce its foreign currency risk exposure. This policy has been approved by the Treasury and is in accordance with the requirements of Treasury Guidelines for the Management of Crown and Departmental Foreign-Exchange Exposure.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

Customs has no interest-bearing financial instruments, so it has no exposure to interest rate risk.

Credit risk

Credit risk is the risk that a third party will default on its obligation causing Customs to incur a loss.

In the normal course of its business, credit risk arises from debtors and deposits with banks.

Customs is only permitted to deposit funds with Westpac and operate foreign currency accounts for overseas posts expenses, with registered overseas banks, and enter into foreign exchange forward contracts with the Treasury Capital Markets. These entities have high credit ratings. For other financial instruments, Customs does not have significant concentrations of credit risk.

Customs' maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and net debtors (Note 7). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

Liquidity risk is the risk that Customs will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, Customs closely monitors its forecast cash requirements with expected cash drawdowns from the Treasury Capital Markets. Customs maintains a target level of available cash to meet daily liquidity requirements.

The table below analyses Customs' financial liabilities that will be settled based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 6 months $000	Between 6 months and 1 year $000	Between 1 and 5 years $000	Over 5 years $000
2024/25 Actual				
Creditors and other payables (note 10)	28,422	–	–	–
Total	**28,422**	**–**	**–**	**–**
2025/26 Actual				
Creditors and other payables (note 10)	21,737	–	–	–
Total	**21,737**	**–**	**–**	**–**

Note 17: Categories of financial instruments

Financial liabilities

Financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities entered into with a duration less than twelve months are recognised at their nominal value. Amortisation and, in the case of monetary items, foreign exchange gains and losses, are recognised in the Statement of Comprehensive Revenue and Expense as is any gain or loss when the liability is derecognised. There have been no financial liabilities designated as hedge items, therefore, no hedge accounting applied.

2024/25		2025/26
Actual $000		**Actual $000**
	Financial assets measured at amortised cost	
86,870	Cash and cash equivalents	77,217
85,147	Debtors and other receivables	108,498
172,017	***Total financial assets measured at amortised cost***	**185,715**
	Financial liabilities measured at amortised cost	
28,422	Creditors and other payables	21,737
28,422	***Total financial liabilities measured at amortised cost***	**21,737**

Note 18: Related party transactions and key management personnel

Customs is a wholly owned entity of the Crown. The Government significantly influences the role of Customs as well as being its key source of revenue.

Related parties

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect Customs would have adopted in dealing with the party at arm's length in the same circumstances. The Government reporting entity comprises a large number of commonly controlled entities, which include Customs. These entities, and their key management personnel, transact among themselves on a regular basis, for example, for the registration of vehicles. These transactions are conducted at arm's length. Any transactions not conducted at arm's length are disclosed in the financial statements.

Remuneration to key management personnel

The remuneration of key management personnel during the year was as follows:

2024/25		2025/26
Actual		**Actual**
	Key management personnel, including the Comptroller	
$1,983,398	Salaries and other short-term employee benefits	$2,100,452
5.5	Full-time equivalent staff	5.6

The key management personnel disclosure for Customs consists of the members of the Customs Executive Board (page 76). The Comptroller's remuneration is determined and paid by the Public Service Commission and invoiced to Customs. This calculation has been updated to include salary and other short-term employee benefits relating to staff acting in key management positions. The Customs Executive Board has five full-time equivalent staff – the Comptroller, Deputy Comptroller Operations, and three Deputy Chief Executives.

The remuneration disclosure excludes the remuneration of the relevant Ministers for 2025/26. The Ministers' remuneration and other benefits are set by the Remuneration Authority and are paid under Permanent Legislative Authority and not paid by Customs.

If close family members of key management personnel are employed by Customs, the terms and conditions of those arrangements are no more favourable than would be adopted if there were no relationship to key management personnel.

Note 19: Capital management

Customs' capital is its equity, which comprises taxpayers' funds and the memorandum accounts.

Equity is represented by net assets. Customs' equity is largely managed as a by-product of managing income, expenses, assets, liabilities, and compliance with the Government Budget processes, Treasury Instructions, and the Public Finance Act 1989.

The objective of managing Customs' equity is to ensure that it effectively achieves its goals and objectives and remains a going concern.

Note 20: Reconciliation of net surplus/deficit to net cash flow from operating activities for the year ended 30 June 2026

2024/25		2025/26
Actual $000		**Actual $000**
13,564	**Net operating surplus/(deficit)**	**23,867**
22,118	Depreciation and amortisation expense	18,964
22,118	***Total non-cash items***	**18,964**
	Working capital movements	
(14,564)	(Increase)/decrease in debtors and receivables	(22,966)
1,015	(Increase)/decrease in prepayments	(647)
(13,616)	Increase/(decrease) in creditors and payables	(6,576)
(432)	Increase/(decrease) in employee entitlements	2,149
(27,597)	***Working capital movements – net***	**(28,040)**
	Movements in non-current liabilities	
2,630	Provision for premises make good	283
74	Increase/(decrease) in employee entitlements	(960)
2,704	***Movements in non-current liabilities***	**(677)**
(66)	(Increase)/decrease in investing activity items	(86)
(78)	Net (gain)/loss on sale of fixed assets/impairment	(45)
(144)	***Total investing activity items***	**(131)**
10,645	**Net cash from operating activities**	**13,983**

Note 21: Memorandum Accounts

These accounts summarise financial information relating to the accumulated surplus or deficit incurred in the provision of clearance services operating on a full recovery basis from third parties through the **Border Processing Levy** and **Goods Management Levies**.

A memorandum account allows for the fact that revenue and expenses may not necessarily equate in any given financial year, with balances expected to trend to zero over a reasonable period of time (three to five years). The account enables Customs to take a long-term perspective to levy setting and cost recovery.

Transactions are included as part of Customs' operating income and expenses and the resulting surplus/(deficit). However, these transactions are excluded from the calculation of Customs' return of operating surplus. The cumulative balance of the surplus/(deficit) of the memorandum account is recognised as a component of equity (refer Note 15).

Border Processing Levy

2024/25		2025/26
Actual $000		**Actual $000**
6,663	Opening balance 1 July	13,391
125,252	Revenue – Border Processing Levy	118,282
(121,022)	Expenses	(120,791)
2,498	Accumulated capital injections applied	–
13,391	**Closing balance of memorandum account**	**10,882**

The border processing revenue enables Customs to manage risks while also streamlining travellers' interaction with the border. As traveller volumes continued to recover, the Border Processing Levy memorandum account is in surplus this year. During the 2025/26 financial year, the revenue collected through the levy was slightly lower than the cost of processing travellers, reducing the surplus slightly. Any remaining surplus or deficit at the end of the current levy period ending 30 June 2027 will be factored into the levy rates for the next levy period.

Goods Management Levies

2024/25		2025/26
Actual $000		**Actual $000**
(8,643)	Opening balance 1 July	(4,424)
48,735	Revenue – Goods Management Levies	74,321
(49,328)	Expenses	(58,943)
4,812	Accumulated Capital injections applied	–
(4,424)	**Closing balance of memorandum account**	**10,955**

Goods management levy revenue funds a wide range of trade activities such as inspection, intelligence gathering, risk screening, service delivery, and Trade Single Window processes. The Goods Management Levies memorandum account was in deficit as at the end of the last financial year as the revenue collected had not fully covered the cost of delivering processing and protection services. During this year, the Goods Management Levies revenue increased significantly reflecting the fee increases introduced from 1 July 2025 and the move to a fully cost-recovered, consignment-based charging model from 1 April 2026. Revenue exceeded processing costs during the year, resulting in a memorandum account balance of $10.955 million. Any surplus or deficit will be factored into a revision of the levy rates, expected to take place in 2028.

Note 22: Border Executive Board

The Border Executive Board was established from January 2021 as an interdepartmental executive board with accountability for ensuring there are no gaps in the end-to-end border processes.

Customs administers the Border System Performance appropriation under Vote Customs and the revenue, expenditure, assets, and liabilities relating to the Border Executive Board are included in the consolidated financial statements. This appropriation ceased on 30 June 2026 as the functions of the Border Executive Board transitioned to a sector leadership group on 1 January 2026.

Border Executive Board financial information:

2024/25		2025/26
Actual $000		**Actual $000**
2,450	**Revenue from the Crown**	1,667
	Expenditure	
1,325	Personnel	783
14	Contractors and consultants	6
227	Other operating costs	28
1,566	**Total Border Executive Board support expenditure**	**817**
884	**Assets**	**850**
	Liabilities	
–	Accrued expenses	–
884	Provision for repayment of surplus	850
884	**Total liabilities**	**850**

Note 23: Explanations for major variances from 2025/26 Budget

Statement of Comprehensive Revenue and Expense

Other revenue was slightly higher than budget mainly due to variations between forecast and actual traveller and goods/cargo volumes. Fluctuations in volumes lead to corresponding fluctuations in revenue amounts.

Personnel costs were higher than budget due to increased capacity in the Maritime Security and Transnational, Serious and Organised Crime work programmes.

Operating expenditure was significantly lower than budget, due mainly to lower IT costs, rental costs, and less expenditure on consultants and professional fees. This reflected anticipated in-principle expense transfers, along with delays in progressing some planned work programmes due to resource availability. Actual expenditure will often vary from budget once the timing, scope and delivery approach of planned activities are finalised.

The reduction in Crown revenue as part of the 2026 Supplementary Estimates is due to the transfer of funding to future financial years to assist with cost pressures in those years.

Statement of Changes in Equity

Taxpayers' funds were higher than budget due to the actual taxpayer funds brought forward from 2024/25 being higher than budget and a higher than budgeted surplus per the 2025/26 Statement of Comprehensive Revenue and Expense.

Statement of Financial Position

Cash and cash equivalents were higher than budget, largely as a result of increased Goods Management Fees revenue and below budget expenditure.

Variances between the actual and budgeted value of debtors and receivables, and creditors and payables, were primarily driven by the timing of payments received from airlines who collect the Border Processing Levy on Customs and the Ministry of Primary Industries' (MPI) behalf, and our payment of MPI's share to them.

Property, plant and equipment and intangible assets were slightly lower than budget. This is due to lower than budgeted capital expenditure and a transition towards replacing intangible assets with as-a-service solutions.

Employee entitlements were higher than budget due to higher employee leave entitlement balances.

Long term provisions have increased due to an increase in lease make-good provisions.

Statement of Cash Flows

The overall cash balance was higher than budget mainly due to increased revenue from levies and fees and reduced expenditure.

Note 24: Events after the balance date

There have been no significant events after the balance date.

NON-DEPARTMENTAL STATEMENTS AND SCHEDULES

Summary of Schedules and Statements

For the year ended 30 June 2026

2024/25		2025/26			2026/27
Actual $000		Unaudited Budget $000	Unaudited Supps $000	Actual $000	Unaudited Forecast $000
17,764,369	Revenue	18,479,960	18,249,960	18,644,834	19,309,980
2,220	Expenses	16,080	16,080	7,517	16,100
2,844,472	Assets	2,698,286	2,928,472	3,293,637	3,464,637
27,140	Liabilities	10,338	27,140	24,653	24,653

Explanations of significant variances against budget are provided in Note 5.

Schedule of Non-Departmental Revenue

For the year ended 30 June 2026

2024/25		2025/26			2026/27
Actual $000		Unaudited Budget $000	Unaudited Supps $000	Actual $000	Unaudited Forecast $000
	Revenue				
	Indirect taxation				
1,243,340	Customs and excise duty on alcohol	1,342,000	1,244,000	1,242,328	1,300,000
1,470,727	Customs and excise duty on tobacco products	1,479,000	1,241,000	1,317,071	1,194,000
2,064,523	Customs and excise duty on refined motor spirit	2,012,000	2,080,000	2,099,316	2,251,000
127,012	Customs duty on other imported goods	108,000	120,000	117,041	106,000
12,845,108	Goods and Services Tax	13,525,000	13,551,000	13,854,503	14,445,000
17,750,710	***Total indirect taxation***	**18,466,000**	**18,236,000**	**18,630,259**	**19,296,000**
	Indirect non-taxation				
78	World Customs Organization	80	80	77	100
765	Sale of seized goods	80	80	663	80
12,654	SGG Levy	13,500	13,500	13,750	13,500
162	Infringement notices	300	300	85	300
13,659	***Total indirect non-taxation***	**13,960**	**13,960**	**14,575**	**13,980**
17,764,369	**Total revenue**	**18,479,960**	**18,249,960**	**18,644,834**	**19,309,980**

The accompanying accounting policies and notes form part of these financial statements.

Schedule of Non-Departmental Expenditure

For the year ended 30 June 2026

2024/25			2025/26			2026/27
Actual $000		Note	Unaudited Budget $000	Unaudited Supps $000	Actual $000	Unaudited Forecast $000
	Expenditure					
78	World Customs Organization		80	80	77	100
2,142	Expected credit losses on financial assets	2	16,000	16,000	7,440	16,000
2,220	**Total expenditure**		**16,080**	**16,080**	**7,517**	**16,100**

Schedule of Non-Departmental Assets

As at 30 June 2026

2024/25			2025/26			2026/27
Actual $000		Note	Unaudited Budget $000	Unaudited Supps $000	Actual $000	Unaudited Forecast $000
	Current assets					
1,275,900	Cash and cash equivalents		1,066,619	1,275,900	1,695,000	1,695,000
1,568,572	Debtors and other receivables	2	1,631,667	1,652,572	1,598,637	1,769,637
2,844,472	**Total assets**		**2,698,286**	**2,928,472**	**3,293,637**	**3,464,637**

Schedule of Non-Departmental Liabilities

As at 30 June 2026

2024/25			2025/26			2026/27
Actual $000		Note	Unaudited Budget $000	Unaudited Supps $000	Actual $000	Unaudited Forecast $000
	Current liabilities					
16,367	Payables and provisions		2,098	16,367	13,733	13,733
10,773	Creditor – departmental		8,240	10,773	10,920	10,920
27,140	**Total liabilities**	3	**10,338**	**27,140**	**24,653**	**24,653**

The accompanying accounting policies and notes form part of these financial statements.

Statement of Non-Departmental Contingent Liabilities and Assets

As at 30 June 2026

2024/25		2025/26
Actual $000		**Actual $000**
	Contingent liabilities	
625	Legal proceedings and disputes	197
625	**Total contingent liabilities**	**197**
	Contingent assets	
21	Legal proceedings	–
21	**Total contingent assets**	**–**

Contingent liabilities

Legal proceedings and disputes represent the disputed assessments of revenue amounts in relation to the performance of Customs' statutory role, together with associated estimated legal costs. Customs is currently defending these assessments of revenue.

Contingent assets

Crown contingent assets are seizures that have been appealed and held in trust. If an appeal is unsuccessful the funds would be forfeited to the Crown.

Schedule of Non-Departmental Commitments

As at 30 June 2026

Customs has no Crown Commitments as at 30 June 2026 (30 June 2025: nil).

The accompanying accounting policies and notes form part of these financial statements.

Notes to the non-departmental statements and schedules

For the year ended 30 June 2026

Note 1: Statement of accounting policies

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by Customs on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position, results of operations, and cash flows for the year, refer to the Financial Statements of the New Zealand Government for the year ended 30 June 2026.

Basis of preparation

The non-departmental schedules and statements have been prepared in accordance with the Government's accounting policies as set out in the Financial Statements of the Government, and in accordance with Treasury Instructions and Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Revenue

Customs collects revenue on behalf of the Crown.

The Crown provides many services and benefits that do not give rise to revenue. Further, payment of tax does not, in itself, entitle a taxpayer to an equivalent value of services or benefits, because there is no direct relationship between paying tax and receiving Crown services and transfers. Accordingly, it is classified as non-exchange revenue.

Tax revenue is recognised when a taxable event has occurred, and the tax revenue can be reliably measured. The taxable event is defined as follows:

Tax type	Taxable activity
Goods and services tax	The importation of taxable goods and services during the taxation period
Excise tax	An inland tax on the sale, or production for sale, of specific goods
Excise equivalent tax	An importation tax of the equivalent to the inland tax on the sale, or production for sale, of specific goods
Customs duty	A customs duty is a tariff or tax on the importation (usually) or exportation (unusually) of goods

The New Zealand tax system is based on self-assessment, under which taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenue when taxpayers fail to comply with tax laws, for example, if they do not declare the correct value of goods liable for taxation. Customs has implemented systems and controls to detect and correct situations where taxpayers are not complying. These systems and controls include performing audits of taxpayer records, where determined necessary by Customs. Such procedures cannot identify all sources of non-compliance with tax laws. Customs cannot reliably estimate the amount of unreported tax revenue.

Debtors and other receivables

Debtors and other receivables are sovereign receivables and are initially measured at face value as the fair value is not materially different from the face value. Debtors and receivables are subsequently tested for impairment at year-end.

Impairment of a receivable is established when there is objective evidence that Customs will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debt is impaired. The impairment is calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs. The amount of the impairment is the difference between the asset's carrying amount and the estimated future cash flows.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the schedule of non-departmental expenses. When a debt is uncollectable, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (i.e. not past due).

Contingent liabilities and assets

Contingent liabilities are disclosed where there is a possible obligation arising from past events, or a present obligation that is not recognised because an outflow of resources is not probable or the amount cannot be measured reliably. Contingent liabilities are not disclosed where the possibility of an outflow is remote.

Contingent assets are disclosed where an inflow of economic benefits or service potential is probable. Contingent assets are not recognised unless the inflow is virtually certain.

Changes in accounting policies

There have been no changes in accounting policies since 30 June 2025.

Budget figures

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements. The budget figures are not subject to audit.

The 2025/26 Budget figures were those published in the 2024/25 annual report and the Government's The *Estimates of Appropriations for the year ending 2025/26*. The 2025/26 'Supps' figures are those published in The *Supplementary Estimates of Appropriations 2025/26*.

Forecast figures

The presentation of forecast financial information is a statutory requirement of the Public Finance Amendment Act 2013. The aim of this is to increase transparency by providing next year's forecast for comparison.

The forecast figures for the year ending 30 June 2027 are consistent with the best estimate financial forecast information available based on the *2026 Pre-election Economic and Fiscal Update*.

Note 2: Debtors and other receivables

2024/25		2025/26
Actual $000		**Actual $000**
1,367,619	Crown receivables	1,369,504
(12,029)	Less allowance for credit losses	(11,656)
1,355,590	Net Crown receivables (non-exchange transactions)	**1,357,848**
212,982	Accrued revenue	240,789
1,568,572	***Total debtors and other receivables***	**1,598,637**
	Represented by:	
1,568,572	Receivables from non-exchange transactions	**1,598,637**

The allowance for credit losses is determined as follows:

30 June 2026	**Receivables days past due**				
	Current	**31–60 days**	**61–90 days**	**>90 days**	**Total**
Expected credit loss rate	0%	48%	100%	100%	
Carrying amount ($000)	1,394,758	341	306	8,326	**1,403,731**
Lifetime expected credit loss ($000)	454	165	318	10,720	**11,657**

30 June 2025	**Receivables days past due**				
	Current	**31–60 days**	**61–90 days**	**>90 days**	**Total**
Expected credit loss rate	0%	9%	100%	100%	
Carrying amount ($000)	1,354,682	3,635	1,183	8,119	**1,367,619**
Lifetime expected credit loss ($000)	631	328	1,244	9,826	**12,029**

Note 3: Creditors and other payables

2024/25		2025/26
Actual $000		**Actual $000**
26,995	Payables and accruals	24,678
106	Import Entry Transaction Fees payable	111
39	Other creditors – Departmental	(136)
27,140	**Total creditors and other payables**	**24,653**

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

Note 4: Financial instruments

The carrying amounts of financial assets and financial liabilities in each of the PBE IPSAS 41 categories are as follows:

2024/25		2025/26
Actual $000		**Actual $000**
	Financial assets measured at amortised cost	
1,275,900	Cash and cash equivalents	1,695,000
1,568,572	Debtors and other receivables	1,598,637
2,844,472	**Total financial assets measured at amortised cost**	**3,293,637**
	Financial liabilities measured at amortised cost	
27,140	Creditors and other payables	24,653
27,140	**Total financial liabilities measured at amortised cost**	**24,653**

Credit risk

Credit risk is the risk that a third party will default on its obligation, causing a loss to be incurred.

In determining the recoverability of debtors, Customs considers historical collection experience, current conditions, reasonable and supportable forecasts, the age of receivables, and specific information about individual debtors.

Under the Customs and Excise Act 2018, Customs has broad powers to ensure that people meet their obligations. Part 3 of the Act sets out the powers of the chief executive to recover unpaid amounts.

Receivables are widely dispersed over a number of customers and as a result the Crown does not have any material individual concentrations of credit risk.

Funds must be deposited with Westpac, a registered bank (Standard and Poor's credit rating of AA-).

The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, and net debtors.

There is collateral held as security against some of these financial instruments in the form of bank guarantees and deposits held in trust. Bank guarantees must be from an appropriate New Zealand-based bank or finance company and agree to cover every deferred payment up to a set maximum.

Customs operates a deferred payment scheme, which allows deferral of Customs charges by up to seven weeks and a month's transactions to be settled by a single payment the following month. A bank guarantee or equivalent security may be required for overseas registered companies, trusts, insolvent companies, or a person with a history of bankruptcy. If payment is not received on time, Customs can take remedial action, including withdrawal from the scheme, late payment penalties, or using the security provided to pay the debt.

Note 5: Major budget variations

Schedules and statements: non-departmental

Non-departmental revenue

Crown revenue changes are driven by economic conditions and changes in consumer behaviour. The revenue collected is slightly higher than budget and what we collected last year, mostly in GST revenue.

Non-departmental expenditure

Non-departmental expenditure was lower than Budget because less of the expected credit loss allowance was required than forecast, primarily in relation to tobacco seizures.

Non-Departmental liabilities

The provision for payables was higher than budget mainly because the ACC levy payable was higher than forecast. The Budget estimate was based on the prior year's levy, while the actual liability reflects current-year bulk fuel lodgements.

INDEPENDENT AUDITOR'S REPORT

The Audit Office
Te Mana Arotake

Independent Auditor's Report

To the readers of the New Zealand Customs Service's annual report for the year ended 30 June 2026

The Auditor-General is the auditor of the New Zealand Customs Service (the Department). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of the Audit Office, to carry out the audit of the information required to be audited on his behalf.

Opinion

We have audited:

- The financial statements of the Department that comprise the statement of financial position, statement of commitments, and statement of departmental contingent liabilities and assets as at 30 June 2026, the statement of comprehensive revenue and expenses, statement of changes in equity, and statement of cash flows for the year ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information on pages 103 to 129.
- The end-of-year performance information for appropriations of the Department for the year ended 30 June 2026 on pages 17 to 18 and 22 to 61.
- The statements of expenses and capital expenditure for the Department for year ended 30 June 2026 on pages 98 to 101.
- The schedules of non-departmental activities managed by the Department on behalf of the Crown, that comprises the schedules of non-departmental assets, non-departmental liabilities, non-departmental commitments, non-departmental contingent liabilities and assets as at 30 June 2026, the schedules of non-departmental revenue and non-departmental expenses for the year ended 30 June 2026, and the notes to the non-departmental statements and schedules that include accounting policies and other explanatory information on pages 131 to 137.
- The statement of trust monies for the year ended 30 June 2026 on page 107.

In our opinion:

- The financial statements of the Department present fairly, in all material respects, its financial position as at 30 June 2026, and its financial performance and cash flows for the year then ended, in accordance with Public Benefit Entity Standards.
- The end-of-year performance information for each appropriation for the year ended 30 June 2026 is appropriate and meaningful and prepared in accordance with the Department's measurement bases or evaluation methods and Public Benefit Entity Standards, and presents fairly, in all material respects:
  - what has been achieved with the appropriation; and
  - the actual expenses or capital expenditure incurred in relation to the appropriation as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred.
- The statements of expenses and capital expenditure have been prepared, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- The schedules of non-departmental activities which are managed by the Department on behalf of the Crown have been prepared, in all material respects, in accordance with the Treasury Instructions.
- The statement of trust monies for the year ended 30 June 2026 have been prepared, in all material respects, in accordance with the Treasury Instructions.

The Audit Office
Te Mana Arotake

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards, the International Standards on Auditing (New Zealand), and New Zealand Auditing Standard 1 (Revised): *The Audit of Service Performance Information* issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor for the information to be audited* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Comptroller for the information to be audited

The Comptroller is responsible on behalf of the Department for preparing financial statements and end-of-year performance information for appropriations that are fairly presented and comply with Public Benefit Entity Standards and legislative requirements.

This includes:

- the selection of elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods to enable the presentation of end of year performance information for an appropriation that is appropriate and meaningful; and
- the preparation of end-of-year performance information for an appropriation in accordance with the Department's measurement bases or evaluation methods and Public Benefit Entity Standards and legislative requirements.

The Comptroller is responsible on behalf of the Department for preparing Statements of expenses and capital expenditure, schedules of non-departmental activities managed by the Department on behalf of the Crown, and statement of trust monies in accordance with the Public Finance Act 1989 and Treasury Instructions.

The Comptroller is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Comptroller is responsible on behalf of the Department for assessing the Department's ability to continue as a going concern. The Comptroller is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Department, or there is no realistic alternative but to do so.

The Comptroller's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audit, our procedures are limited to checking that the information agrees to the Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2026. For performance information for appropriations, we agree any changes from the performance measures and standards in the Estimates to the Supplementary Estimates. For the forecast financial

The Audit Office
Te Mana Arotake

information for the year ending 30 June 2027, our procedures are limited to checking to the best estimate financial forecast information based on the Pre-election Economic and Fiscal Update for the year ending 30 June 2027.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Comptroller.
- In respect of the end-of-year performance information for appropriations, we:
  - obtain an understanding of the process applied by the Department to select its elements/aspects of service performance, performance measures and/or descriptions and the measurement bases or evaluation methods and evaluate whether these present an appropriate and meaningful assessment of the Department's service performance.
  - evaluate whether the end-of-year performance information for appropriations is prepared in accordance with the Department's measurement bases or evaluation methods, in accordance with Public Benefit Entity Standards.
- We evaluate whether the statements of budgeted and actual expenses and capital expenditure, schedules of non-departmental activities, and statement of trust monies have been prepared in accordance with legislative requirements.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Comptroller and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Department to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Comptroller regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

The Audit Office
Te Mana Arotake

Other information

The Comptroller is responsible for the other information. The other information comprises all of the information included in the annual report other than the information we audited and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Department in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Department.

Clint Ramoo

The Audit Office
On behalf of the Auditor-General
Wellington, New Zealand
29 September 2026

INFORMATION REQUIRED BY STATUTE

For the period 1 July 2025 to 30 June 2026

Legislation used by Customs

Customs' functions and services are largely mandated by the Customs and Excise Act 2018 (C&E Act), related regulations, and Customs' rules.

Our key purposes are set out under the C&E Act which provides the authority to:

- levy excise on domestically produced taxable goods, such as alcohol, and excise-equivalent duty on imported taxable goods, such as tobacco or fuel duty
- set the obligations of people crossing the border (such as providing information to a Customs officer)
- set the obligations of people involved in moving goods, people, or craft across the border (such as seeking clearance from Customs for imported goods)
- set the powers of Customs officers (such as examining or seizing goods).

In addition to the C&E Act, Customs enforces or is subject to over 80 other enactments at the border on behalf of other agencies.

Customs officers have a wide range of powers at the border

Customs is authorised to collect and assess prescribed information about people, goods, and craft crossing the border, as well as intervene in different ways to address risk.

Under the C&E Act, prescribed information is collected from travellers, airlines, shipping companies, cruise operators, cargo operators, importers, exporters, excise manufacturers, and freight companies.

Examples of some of the powers a Customs officer may use when considering intervention include:

- **section 205: questioning persons about goods and debt** – allows Customs to question specific people about whether they have (or had) any dutiable, prohibited, uncustomed, or forfeited goods in their possession; the nature, value, ownership or intended destination of such goods, and debt due
- **section 210: search of persons** – allows Customs officers to conduct a preliminary or full personal search
- **section 226: use of dogs and other aids** – Customs officers may use a Customs detector dog, chemical testing, x-ray, or imaging equipment when using search powers
- **section 227: examination of goods subject to control of Customs** – this power allows Customs officers to examine, weigh, analyse, and test goods, and dismantle and drill goods where necessary to assess risk
- **section 228: data in electronic devices that are subject to control of Customs** – this power allows Customs officers to search the data in an electronic device.

Customs officers also have powers to gather evidence and investigate offences under the C&E Act, and other legislation such as the Search and Surveillance Act 2012, Misuse of Drugs Act 1975, and the Immigration Act 2009.

Together with the C&E Act, these Acts give Customs officers the power to execute search warrants, detain or arrest suspects, and prosecute offenders for offences such as drug or tobacco smuggling or evasion of Customs revenue.

Customs and Excise Act 2018

Section 438 – electronic devices searched

Type of search	Number of devices searched
Initial search under section 228(2)(a)	406
Full search under section 228(2)(b)	81

Section 439 – initiatives to reduce compliance costs for businesses with strong record of compliance

Initiatives or other steps taken by Customs during 2025/26 to reduce the costs of complying with this Act for businesses that have a strong record of compliance with this Act and/or for 'trusted' traders include:

- Continuing our efforts to have more exporters join our Authorised Economic Operator programme, the Secure Exports Scheme (AEO SES). Businesses that are part of this programme are recognised as meeting best practice security requirements in their supply chains and are therefore considered low-security risks. Goods exported by these businesses are able to access fast-track processing and face fewer compliance checks at international borders, saving time and money (page 41)
- Signing a Mutual Recognition Arrangement with the Royal Malaysian Customs Department in September 2025 to make customs clearance processes easier and faster for businesses that are part of our AEO SES programme when exporting goods to Malaysia (page 41)
- Commencing negotiations to develop Mutual Recognition Arrangements with Saudi Arabia's Zakat, Tax and Customs Authority and with the United Arab Emirates. Both arrangements are expected to be completed by June 2027 (page 41)
- Providing advice to traders affected by the changes in tariffs for goods exported to the United States of America and by broader supply chain disruptions arising from the conflict in the Middle East (page 42).

New Zealand exporters will benefit from the Free Trade Agreement signed between India and New Zealand in April 2026. India is a key trade partner for New Zealand and one of the world's largest economies. The Agreement will reduce or eliminate tariffs on 95% of New Zealand's current exports to India, with more than 50% of exports becoming tariff free once the agreement is ratified by both countries and enters into force.

Customs also continued to deliver programmes and services that provide lower costs for businesses that meet qualifying criteria under the Customs and Excise Act 2018, and which are recognised internationally as services to trusted traders. These include:

- the provisional values scheme for qualifying importers (section 102)
- the deferred payments scheme for qualifying duty payers (section 123)
- the AEO SES (section 281)
- remission of compensatory interest and late payment penalties (Customs and Excise Regulations).

Search and Surveillance Act 2012

Section 171(a)–(d) – use of warrantless powers

Number of occasions on which entry or search powers were exercised without a warrant	1,319
Number of occasions on which warrantless surveillance powers were exercised that involved the use of a surveillance device	Nil
Number of persons charged in criminal proceedings where the collection of evidential material relevant to those proceedings was significantly assisted by the exercise of a warrantless search or surveillance power	3

Section 171(e) – matters set out in section 172 in relation to surveillance device warrants

Number of applications for surveillance device warrants		8
Number of applications for surveillance device warrants granted		8
Number of applications for surveillance device warrants refused		Nil
Number of surveillance device warrants granted that authorised the use of:	tracking devices only	1
	visual surveillance devices only	Nil
	interception devices only	N/A
	tracking devices and visual surveillance devices	7
Number of surveillance device warrants granted that authorised entry into private premises		N/A
Number of interception devices used (authorised by a surveillance device warrant) for:	≤ 24 hours	N/A
	>24 hours but ≤ 3 days	N/A
	>3 days but ≤ 7 days	N/A
	>7 days but ≤ 21 days	N/A
	>21 days but ≤ 60 days	N/A
Number of tracking devices used (authorised by a surveillance device warrant) for:	≤ 24 hours	18
	>24 hours but ≤ 3 days	13
	>3 days but ≤ 7 days	2
	>7 days but ≤ 21 days	2
	>21 days but ≤ 60 days	6
	>60 days (based on multiple warrants)	6
Number of visual surveillance devices used (authorised by a surveillance device warrant) for:	≤ 24 hours	4
	>24 hours but ≤ 3 days	8
	>3 days but ≤ 7 days	3
	>7 days but ≤ 21 days	Nil
	>21 days but ≤ 60 days	Nil
	>60 days (based on multiple warrants)	3
Number of persons charged in criminal proceedings where the collection of evidential material relevant to those proceedings was significantly assisted by carrying out activities under the authority of a surveillance device warrant		7
Number of reported breaches by a Judge to the chief executive (under section 61 or 62) of any of the conditions of the issue of a surveillance device warrant		Nil
Number of reports by a Judge to the chief executive (under section 61 or 62) about the use of a surveillance device not authorised under section 48 (warrantless emergency and urgency powers)		Nil

Some of the surveillance devices deployed by the New Zealand Customs Service in 2025/26 were authorised by surveillance device warrants obtained by NZ Police – as part of joint operations.

Section 171(e) – matters set out in section 172 in relation to declaratory orders

Number of applications for declaratory orders	Nil
Number of applications for declaratory orders granted	N/A
Number of applications for declaratory orders refused	N/A
Number of persons charged in criminal proceedings where the collection of evidential material relevant to those proceedings was significantly assisted by carrying out activities covered by a declaratory order made	N/A

Misuse of Drugs Act 1975 (Misuse of Drugs Amendment Act 1978)

Section 13M – detention warrants and searches

Number of applications for detention warrants made under section 13E	Nil
Number of applications for renewal of detention warrants made under section 13I	Nil
Number of applications under sections 13E and 13I granted	N/A
Number of applications under sections 13E and 13I refused	N/A
Average duration of detention warrants (including renewals) granted	N/A
Number of prosecutions instituted in which has been adduced evidence obtained directly during the detention of any person pursuant to detention warrants	Nil
Number of rub-down searches and strip searches under section 13EA	2

Privacy Act 2020

Section 167 – accessing information to verify the identity of a person

Customs accessed information held by another agency to verify the identity of a person	Number of times
Department of Corrections	263
Department of Internal Affairs	Nil
Ministry of Business, Innovation and Employment (Immigration)	Nil
Ministry of Health and Health New Zealand and Māori Health Authority	Nil
New Zealand Transport Agency	Nil
Registrar-General	Nil

In each instance where Customs accessed data held by the Department of Corrections (Corrections) it related to an alert created by Corrections (Customs' border management system electronically screens passenger information for matches, enabling Customs to notify Corrections if a person subject to an alert arrives at the border). Customs submitted a phone and email request to Corrections for offender images and supporting details to verify the identity of the person attempting to depart New Zealand – Corrections supplied an email response with an attached photograph.

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MINISTER'S REPORT

in relation to Vote Customs Non-Departmental Appropriations 2026

This document is presented to the House of Representatives pursuant to section 19B of the Public Finance Act 1989

Vote Customs non-departmental appropriations

The Minister of Customs is required under section 19B of the Public Finance Act 1989 to report the end-of-year performance information for the non-departmental appropriations administered through Vote Customs:

- Independent Advice to Ministers
- World Customs Organization
- Change in Doubtful Debt Provision.

This performance information is not subject to audit.

Understanding this report

The 'Budget' figures are those included in *The Estimates of Appropriations 2025/26* for Vote Customs. The 'Revised Budget' figures are those from *The Supplementary Estimates of Appropriations 2025/26.*

The Public Finance Act 1989 allows for some non-departmental appropriations to be exempt from year end performance reporting requirements (output performance measures) due to the amount of funding in the appropriation and/or the services provided. All appropriations in this report have been granted an exemption from year end performance reporting.

Although presented in the same document, this report does not form part of the *New Zealand Customs Service Annual Report 2026.* It has been appended to the annual report of the New Zealand Customs Service for the purpose of tabling in the House of Representatives and publication.

Independent Advice to Ministers

Scope of appropriation: This appropriation is limited to independent advice and assurance, and related costs, to support decision-making by Ministers.

This appropriation provides funding to support the establishment of Ministerial Advisory Groups, or other independent advice, on key issues affecting portfolio responsibilities relevant to the Minister.

In November 2024, Cabinet approved the establishment of a Ministerial Advisory Group on Transnational, Serious, and Organised Crime (TSOC), reporting to the Minister of Customs and Associate Minister of Police. The Advisory Group was appointed as a time-limited body, providing independent advice and recommendations on combatting TSOC activity through more effective use of regulatory and enforcement levers, investigations, and prosecutions.

Budgeted and Actual Expenses Against Appropriation

2024/25		2025/26		
Actual $000		**Budget $000**	**Revised Budget $000**	**Actual $000**
285	Expenses	193	275	224
285	**Total Expenses**	**193**	**275**	**224**

The Ministerial Advisory Group met from late February to September 2025. It produced six reports covering:

- a broad overview of TSOC activity and its impact on New Zealand
- targeting the profits of organised crime
- corruption in New Zealand and the Pacific
- one team against organised crime (addressing the demand side)
- the need for improved information sharing across agencies
- greater accountability for a coordinated response.

The final report – *Lead boldly, act decisively: tackling and dismantling organised crime,* was released in September 2025 and outlined the key recommendations of the Group. Many of the recommendations were incorporated into the Transnational, Serious, and Organised Crime Strategy 2026–2030 and Action Plan released in December 2025. Other recommendations will be taken forward in relevant work programmes such as the Anti-Money Laundering and Countering Financing of Terrorism work programme.

The members of the Ministerial Advisory Group were Steve Symon (chair), Owen Loeffellechner, Dr Jarrod Gilbert, John Tims, and Craig Hamilton. The group was supported by a small secretariat hosted by the New Zealand Customs Service (Customs).

Read more:

Further information on the Advisory Group and their reports are available on the Customs website:

www.customs.govt.nz/about-us/ministerial-advisory-group-on-transnational-serious-and-organised-crime

Assessment of performance

There are no formal output performance measures for this appropriation. An exemption from end of year reporting requirements was granted under section 15D(b)(iii) of the Public Finance Act 1989 as the appropriation is one from which resources will be provided to a person or an entity other than a department, a functional chief executive, an Office or Parliament, or a Crown entity, and the amount of this annual appropriation for a non-departmental output expense is less than $5 million.

World Customs Organization

Scope of appropriation: New Zealand's contribution to the operating budget of the World Customs Organization.

This appropriation is used to meet New Zealand's commitment as a member of the World Customs Organization (WCO) to contribute to the annual running costs of the WCO. The WCO is the global intergovernmental body that works to enhance the effectiveness and efficiency of customs administrations. Customs actively participates in the WCO and holds leadership or membership roles on several Committees. This provides an opportunity to influence the development of international customs policy and standards.

Budgeted and Actual Expenses Against Appropriation

2024/25		2025/26		
Actual $000		Budget $000	Revised Budget $000	Actual $000
78	Expenses	80	80	77
78	**Total Expenses**	**80**	**80**	**77**

Assessment of performance

There are no formal output performance measures for this appropriation. An exemption from end of year reporting requirements was granted under section 15D(2)(b)(iii) of the Public Finance Act 1989 as the appropriation is one from which resources will be provided to a person or an entity other than a department, a functional chief executive, an Office or Parliament, or a Crown entity, and the amount of this annual appropriation for a non-departmental output expense is less than $5 million.

Change in Doubtful Debt Provision

Scope of appropriation: Provisioning of doubtful debts on Customs Crown revenue.

The purpose of this appropriation is to achieve provisioning for doubtful debts relating to revenue collected by Customs on behalf of the Crown, where Customs deems the debt is unlikely to be recovered. This is a non-cash appropriation.

Budgeted and Actual Expenses Against Appropriation

2024/25		2025/26		
Actual $000		**Budget $000**	**Revised Budget $000**	**Actual $000**
2,142	Expenses	16,000	16,000	7,440
2,142	**Total Expenses**	**16,000**	**16,000**	**7,440**

Customs collects around 17% of core Crown revenue. The majority of this funding comes from customs and excise duties on alcohol, tobacco, and fuel products, tariff charges, and GST on imported products over $1,000. Customs collected $18.6 billion in Crown revenue during the 2025/26 year.

Customs takes all practical steps to recover any outstanding or overdue Crown debt, including debt from deliberate revenue evasion, such as tobacco smuggling. However, a small portion of debt needs to be written off each year when recovery is considered unlikely. This appropriation provides provision for the debt to be written off.

Assessment of performance

An exemption was granted under section 15D(2)(b)(i) of the Public Finance Act 1989 as the appropriation is one from which resources will be provided to a person or an entity other than a department, a functional chief executive, an Office of Parliament, or a Crown entity, and key performance information relevant to this appropriation is otherwise readily available to the House of Representatives.

Information on debt write-off and Customs' work targeting tobacco smuggling and revenue evasion is set out in the *New Zealand Customs Service Annual Report 2026.*

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Te Kāwanatanga o Aotearoa