Regulatory Impact Statement: Foreign Investment Fund reforms, phase two

Decision sought	Analysis produced for the purpose of informing final Cabinet decisions
Agency responsible	Inland Revenue
Proposing Ministers	Revenue, Finance
Date finalised	16 April 2026

Description of the Minister's regulatory proposal
Reforms to the Foreign Investment Fund (FIF) rules to support the long-term settlement and retention of people with skills and capital in New Zealand, consistent with the Government's "Going for Growth" strategy.

Summary: Problem definition and options

What is the policy problem?
The Government's "Going for Growth" strategy considers that a highly skilled and capital-intensive workforce can help lift living standards and support New Zealand businesses to compete globally and grow. As such, New Zealand should be an inviting country for people with skills and capital to settle permanently. This includes retaining the talent that is already here as well as attracting new migrants and overseas Kiwis to return.

The foreign investment fund (FIF) rules aim to ensure foreign equity investments are taxed similarly, from a broad economic perspective, to domestic equity investments. However, they are a commonly cited barrier to migration and permanent settlement.

The FIF rules apply to certain offshore investments, such as portfolio (<10%) interests in foreign shares held by New Zealand residents. The rules typically work for individuals so that they are taxed on deemed dividends calculated as 5% of the opening value of their FIF interests, or the total return (including paper gains). The taxation of deemed income is novel internationally and can cause material liquidity challenges.

In addition, there can be double taxation where taxpayers are also liable to tax in another country based on their citizenship or a right to work and live in that country. We have heard that this issue arises in the United States (US) where New Zealand's FIF taxation on deemed income does not give rise to credits that offset realisation-based taxation (capital gains tax) in the US.

Feedback from stakeholders strongly suggests the FIF rules are a deterrent for people with skills and capital to settling in New Zealand long-term. Some alternative FIF income calculation methods are available, however those most relevant to the target population (the revenue account method (RAM) and the attributable FIF income (AFI) method) have limited eligibility. The FIF rules can also create a disincentive for some individuals to remain in New Zealand when they have significant foreign shareholdings.

A first phase of reforms was included as part of the Taxation (Annual Rates for 2025-26, Compliance Simplification, and Remedial Measures) Act. These reforms were delivered as an interim solution to address the imminent decision to emigrate by migrants who arrived at the beginning of the COVID-19 pandemic. The narrowly targeted changes allowed these recent migrants to use the RAM, and be taxed on a realisation basis, for their eligible FIF interests.

While the first phase had strong support from stakeholders, both stakeholders and the Government have expressed their desire to go further. The limited application of those reforms have created an inequity between recent migrants and other New Zealand taxpayers, while also leaving some other challenges with the FIF rules unaddressed. This second phase proposal seeks to expand the reforms to cover all New Zealanders, as well as make other supporting improvements to align the FIF rules with the Government's objectives.

The most significant of these other changes is amending the AFI method to address a concern from stakeholders. Submitters have told us that losing access to the AFI method creates a tax-driven incentive for people to leave New Zealand. Currently those holding at least a 10% interest in a FIF and with access to the required financial information (such as entrepreneurs and executives) can elect to use the AFI method. Under this method their investment is taxed similarly to an active, rather than portfolio, investment and therefore only taxed on actual dividends received. However, these people can lose access to the AFI method as the business grows and their holding dilutes below 10%, resulting in them being liable to tax on deemed income and no liquidity to pay it.

What is the policy objective?

The objective is to reduce tax barriers arising from the FIF rules that may deter people with skills and capital from remaining in New Zealand.

What policy options have been considered, including any alternatives to regulation?

We considered several FIF reform options that would reduce tax barriers that may deter people with skills and capital from remaining in New Zealand:

1. <u>Status quo</u>: the RAM remains restricted to recent migrants, and no other amendments are made to the FIF rules.
2. <u>Expand access to the RAM:</u> the RAM is expanded to existing New Zealand residents for their unlisted foreign share holdings.
3. <u>Expand access to the Attributable FIF method (AFI):</u> the AFI method is expanded to eligible shareholders whose FIF interest has diluted below the 10% minimum interest required to use this method during business expansion.
4. <u>Combination of expanding access to both the RAM and the AFI Method</u>: combining proposals two and three above.

Some of the options that were considered were remedial or of a minor and technical nature. As such, those options have not been included in this Regulatory Impact Statement.

What external consultation has been undertaken?

Inland Revenue undertook public consultation between 6 December 2024 and 27 January 2025 on the effect of the FIF rules on immigration. The issues paper included a proposal on expanding access to the AFI method.[1] The expansion of access to the RAM to all New Zealand residents was raised by stakeholders throughout the development of the RAM proposal, including at the Finance and Expenditure Committee stage, as part of their consideration of the Taxation (Annual Rates 2025-26, Compliance Simplification, and Remedial Measures) Bill, now Act. As part of work on the second phase of reform, Inland Revenue undertook a targeted consultation between 28 August and 19 September 2025 on expanding access to the RAM to all New Zealand residents and other potential changes to the FIF rules. The targeted consultation included professional services firms, accountancy bodies, specialist immigration advisors, the banking & finance sector, and tax agents. Across stakeholders there was broad support for expanding access to the RAM, with a mix of views as to whether it would improve retention or whether further work would be required to achieve that outcome. Many submitters also supported expanding access to the AFI method, noting that while its application is limited, it would materially improve the circumstances of those who are eligible.
Is the preferred option in the Cabinet paper the same as preferred option in the RIS? Yes

Summary: Minister's preferred option in the Cabinet paper (option 4)

Costs
Description of costs and where they fall The proposed changes are expected to reduce Crown tax revenue: • Expanding access to the RAM to all New Zealand tax residents has a fiscal cost because of the timing advantage that arises from taxpayers using this method only paying tax on realisation (e.g., when their holding is sold), rather than on an annual basis by paying tax on a deemed dividend.[2] This is estimated at $36.2 million over the forecast period. • Expanding access to the AFI method has a fiscal cost because taxpayers using this method would no longer pay tax on a deemed dividend and instead typically only pay tax on actual dividends received, of which there may be none. This fiscal impact is estimated at $1.5 million over the forecast period. There may be a behavioural reaction from reducing these tax barriers, leading to increased investment in foreign unlisted equities. This increased investment offshore could come from

[1] Effect of the FIF rules on immigration: proposals for amendments, Inland Revenue, 2024.
[2] Note that actual dividends received do not create a fiscal cost because they are taxed in the year of receipt under both methods. To the extent dividends exceed a 5% return, this would reduce the cost.

a reallocation of funds from other investment classes. However, the exact source of funds is uncertain, and it is not possible to say that it would decrease domestic capital stocks.

Benefits

Description of benefits and where they fall

Broadly, the key benefit of the proposed changes is that the tax barriers to retention and permanent settlement of migrants arising from the FIF rules should be reduced. It will also improve horizontal equity, by allowing all New Zealanders to use the new RAM, regardless of whether and when they migrated to New Zealand.

More specifically, expanding access to the RAM will allow taxpayers to choose to pay tax on their unlisted foreign shares on a realisation basis, improving their cashflow. The current FIF taxation of unlisted shares is problematic for taxpayers, as unlisted shares may not produce any actual income and may be difficult for taxpayers to sell to pay the tax liability. Accordingly, the RAM will still only apply to unlisted shares for most taxpayers.

Further, for a small subset of taxpayers facing concurrent taxation due to foreign citizenship or permanent residence, their double taxation is currently also mitigated by allowing them to use the RAM for both their listed and unlisted shares. However, under phase one this only applies if the taxpayer migrated recently. The changes will expand the benefit of this treatment to taxpayers subject to concurrent taxation regardless of when they migrated here. This will support their retention in New Zealand.

Expanding access to the AFI method may support entrepreneurs to remain in New Zealand as their business grows, as their tax burden would be based on actual dividends received rather than deemed income, improving their cashflow. This would also align the tax treatment of the investments with the entrepreneur's other active investments.

Together, the proposals are expected to disproportionately benefit individuals with high levels of income and wealth. This is because these populations are more likely to hold the sorts, or quantities, of assets required for these changes to be relevant. There is no corresponding disadvantage to other groups, including owners of start-ups who would also benefit from the AFI proposal provided they meet the relevant criteria.

Balance of benefits and costs

Does the RIS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?

The preferred option would likely deliver the highest net benefits. It meets policy objectives without unduly impacting system coherence, revenue integrity or fiscal constraints.

Implementation

How will the proposal be implemented, who will implement it, and what are the risks?

Legislative amendments to the Income Tax Act 2007 will be made through the omnibus taxation Bill 2026. The legislative changes will take effect from 1 April 2026. We do not foresee any issues with this retrospectivity given the Bill must be passed by 31 March and the 2027 tax year income tax returns would not be due until July 2027 at the earliest.

Inland Revenue would be responsible for the implementation and administration of the new rules. Inland Revenue considers this to be a straightforward change to implement, as it builds on the changes already made in phase one.

Inland Revenue will issue guidance on its website to support taxpayer compliance.

Limitations and constraints on analysis

The potential changes are not intended as a broad reform of the FIF rules because the rules generally work as intended for most investors. Therefore, the options considered have been limited to those addressing the specific issues identified.

The cost-benefit analysis is limited primarily by data limitations. Inland Revenue's information and compliance data on taxpayers who file FIF income is limited. Due to these data limitations, it is challenging to accurately assess the impacts of these proposals. Instead, we have relied on the data that we do have, stakeholder feedback and conservative assumptions.

Practical concerns with the implementation of the potential reforms are mitigated by the fact that other jurisdictions tax foreign shares on a realisation basis with similar rules.

I am satisfied that, given the available evidence, this RIS represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature: s 9(2)(a)

Sam Rowe
Policy Lead
16 April 2026

Quality Assurance Statement

Reviewing Agency: Inland Revenue Department	**QA rating:** Meets

Panel Comment:
The Inland Revenue Department's internal quality assurance panel has reviewed the Regulatory Impact Statement (RIS) prepared by Inland Revenue on 17 March 2026. The panel considers that the information and the analysis summarised in the RIS **meets** the Quality Assurance criteria.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

Background and previous work

1. The FIF rules were introduced to remove a tax-driven incentive for New Zealand tax residents to invest in foreign enterprises over domestic ones. Because New Zealand does not have a comprehensive capital gains tax regime, New Zealand is only able to tax foreign equity investments on dividends that are paid. There is therefore a tax-driven incentive to invest in foreign entities that pay minimal dividends while accruing significant capital gains from those retained earnings that would go untaxed in New Zealand. This is less of an issue for domestic equity investments because domestic firms pay company income tax to the New Zealand Government.
2. The FIF rules seek to tax foreign equity investments similarly to domestic equity investments from a broad economic perspective. The rules achieve this by typically taxing the resident on deemed dividends calculated as 5% of the opening value of their FIF interests, or (for individuals or some trusts) actual gains if the total return is lower than 5%. Net losses are generally not deductible. Different rules can or must be applied in some circumstances.
3. The New Zealand Institute of Economic Research published a paper in April 2024 which argued that our foreign investment fund (FIF) rules are discouraging desirable migrants from coming to and staying in New Zealand.[3]
4. Many taxpayers find taxation of notional income burdensome as the tax impact does not match cashflow from the investment. They prefer being taxed on a realisation basis where cashflow and the tax impost are aligned. Those coming to New Zealand are generally more accustomed to a capital gains tax as this is the norm in their home jurisdiction. In particular, they may object to being taxed on investments on which they have suffered an economic loss. (This is not uncommon under the FIF rules. It is compensating for the fact that economic gain is not always fully taxed either, due to the 5% annual cap).
5. From a practical standpoint, taxing notional income can give rise to liquidity issues if those investments do not pay enough dividends to cover the tax liability or are hard to sell (e.g., unlisted shares). For such FIF interests, taxpayers would have to fund their FIF tax liability with other sources of income, assets, or borrowing. In addition to the liquidity issue, some taxpayers may face double taxation. The most common case of double taxation relates to United States (US) citizens, who are taxed by the US on their worldwide income regardless of their country of tax residence. It is also uncertain whether they can claim the foreign tax credits arising from paying their FIF tax to offset any US capital gains tax from the eventual disposal of their FIF interests.
6. As the Government has stated, a highly-skilled and capital-intensive workforce can help lift living standards and support New Zealand businesses to compete globally and grow. Attracting and retaining such a workforce may also support the Government's objective to grow investment in technology and innovation. All of these factors contribute to fulfilling the Government's broader "Going for Growth" agenda. Accordingly, in late 2024, Inland Revenue conducted public consultation on the effects of the FIF tax rules on migration via the release of an issues paper.[4]
7. The Government subsequently introduced a package of narrowly targeted changes to the FIF rules. These were implemented quickly via the Taxation (Annual Rates for 2025-26, Compliance Simplification, and Remedial Measures) Act. These changes were

[3] The place where talent does not want to live, New Zealand Institute of Economic Research, 2024
[4] Effect of the FIF rules on immigration: proposals for amendments, Inland Revenue, 2024

targeted at migrants who arrived in New Zealand during, and since, the COVID-19 pandemic, whose transitional residence period[5] would soon be coming to an end and who may be incentivised to leave in the absence of reform. These changes introduced the RAM for new and recent migrants, allowing them to be taxed on a realisation basis for their foreign unlisted share investments. The changes also allowed recent migrants that were subject to concurrent taxation due to citizenship or residence to be taxed on a realisation basis in respect of both their listed and unlisted shares.

8. Given the narrow nature of this first phase of work, the Government indicated that further work would take place to retain existing skilled individuals in New Zealand and explore other areas for improvement in the FIF rules.

The future if the status quo continues

9. In the absence of reform, the FIF rules may discourage some highly skilled people from remaining in New Zealand long-term. If this occurs, it could diminish New Zealand's stocks of skills and capital that would otherwise support business and productivity growth.

What is the policy problem or opportunity?

10. The overarching policy problem is that while the FIF rules play an important role in securing the integrity of New Zealand's tax base, certain aspects of the rules can deter people with skills and capital from remaining in or moving to New Zealand.

11. The FIF rules' approach of deemed taxable income is relatively novel internationally and can have high compliance costs, particularly for unlisted shares. It can also create liquidity problems as tax is due on income that has not been distributed or realised. This issue is particularly acute for unlisted investments which cannot easily be sold to fund the tax liability. Further, due to the FIF rules' impact, for some people who face concurrent taxation due to their citizenship or permanent residency status abroad, tax paid under the FIF rules may not be recognised for tax-credit purposes, resulting in juridical double taxation.

12. Additionally, the Government's target population of people with skills and capital are often more used to traditional taxation on realised income only (such as comprehensive capital gains taxes), and therefore the FIF rules may be impacting the decision to immigrate or migrate. New migrants typically don't encounter the effects of the FIF rules until after the expiry of their transitional residence period. During this time their foreign income is usually exempt from New Zealand tax. Stakeholders have told us that at the end of this period and faced with the FIF rules, some are deterred from remaining in New Zealand. Other long-term New Zealand residents with skills and capital may only become exposed to the FIF rules due to a change of circumstances (e.g., their business moving or growing offshore). The corresponding impact of being taxed on unrealised income under the FIF rules may incentivise them to leave New Zealand, despite otherwise wanting to remain here.

13. While the FIF rules provide for some flexibility around income calculation methods that do not deem income on unrealised assets (unlike the standard method), there are limitations on their choice of method. Some of these limitations, intended for integrity,

[5] The transitional residence period applies for about four years from the date a person becomes a New Zealand tax resident. During this period any foreign sourced income of the person is generally exempt from tax and they are only taxed on their New Zealand sourced income.

may have unintended consequences for New Zealand's ability to attract and retain people with skills and capital. Stakeholders have highlighted eligibility to use the attributable FIF income method as a particularly acute area of concern to these taxpayers.

14. Currently those holding at least a 10% interest in a FIF and with access to the required financial information (such as entrepreneurs and executives) can elect to use the AFI method. Under this method their investment is taxed similarly to an active, rather than portfolio, investment and therefore only taxed on actual dividends received.
15. New Zealand residents may suddenly lose access to the AFI method if the business they invested in grows so their holding dilutes below 10%. When this happens, the individual is liable to tax on deemed income under one of the other FIF calculation methods but may have insufficient liquidity to pay it.
16. According to stakeholders, this can lead to some otherwise long-term residents leaving New Zealand because the tax impost cannot be funded.
17. There is an opportunity to remove some of these "rough edges" from the FIF rules to mitigate compliance, liquidity and double taxation concerns, while maintaining the overall benefits of the FIF rules in certain circumstances. This would support the Government's objective to make New Zealand a more desirable place to move to and remain in long-term.
18. While the initial phase of reforms included in the Taxation (Annual Rates for 2025-26, Compliance Simplification, and Remedial Measures) Act introduced the RAM, it did so only for new migrants who were a non-resident or a transitional resident on 31 March 2024. This meant it only partially addressed the policy problem, necessitating this second phase of work to extend access to the RAM to all New Zealand residents. This second phase also creates an opportunity to explore other areas for improvement, such as access to the AFI method.

What objectives are sought in relation to the policy problem?

19. The overall objective is to support the Government's "Going for Growth" strategy which considers a highly skilled and capital-intensive workforce important to help lift living standards and support New Zealand businesses to compete globally and grow. As such, New Zealand should be an inviting country for people with skills and capital to remain in or move to.
20. To support this objective, the FIF rules should be amended to address tax issues that may disincentivise these people from remaining in New Zealand long-term. Key considerations will be to minimise compliance costs, liquidity challenges and double taxation risks while preserving the integrity and coherence of the tax system and taking into account fiscal constraints.

What consultation has been undertaken?

21. As part of the first phase of reform, Inland Revenue undertook public consultation between 6 December 2024 and 27 January 2025 on the effect of the FIF rules on immigration. While the problem statement was focussed on reducing the effects of the FIF rules as a tax barrier to migrants moving to New Zealand, the paper included a proposal on expanding access to the AFI method.

22. The expansion of access to the RAM to all New Zealand residents has been raised by stakeholders throughout the development of the RAM proposal up to its introduction in the Taxation (Annual Rates 2025-26, Compliance Simplification, and Remedial Measures) Bill. This issue was also raised by the Finance and Expenditure Committee during their consideration of the Bill, and by stakeholders during the Committee's public consultation on the Bill.
23. As part of work on the second phase of reform, Inland Revenue undertook a targeted consultation between 28 August and 19 September 2025 to better understand the impacts of expanding access to the RAM to all New Zealand residents and other potential changes to the FIF rules. The targeted consultation primarily focused on those who engaged with the earlier public consultation on the effect of the FIF rules on immigration. This included professional services firms, accountancy bodies, specialist immigration advisors, and tax agents.
24. Across stakeholders there was broad support for expanding access to the RAM, with a mix of views as to whether it would improve retention or whether further work would be required to achieve that outcome. On this latter point, several submissions called for a wider review of the FIF regime in its entirety to assess whether it remains fit for purpose.
25. Many submitters also supported expanding access to the AFI method, noting that while its application is limited, it would materially improve the circumstances of those who are eligible.
26. The proposed Bill process will provide an opportunity for further consultation on the design of the option and potential improvements.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

27. The criteria used to assess the options are:
    a. **Compliance and administration costs –** the tax system should be simple and impose the lowest costs possible on taxpayers to comply with the rules, and lowest cost possible for Inland Revenue to administer, without compromising the integrity of the tax system.
    b. **Liquidity and double taxation risks –** ensuring that the system does not unduly cause liquidity challenges or double taxation for taxpayers.
    c. **Efficiency –** to the extent possible, taxes should be efficient and minimise any negative impact on economic growth or distortions in economic behaviour (for example, causing biases toward one form of investment relative to another). This includes imposing unreasonable costs on individuals and firms.
    d. **Coherence –** ensuring that individual tax rules make sense in the context of the entire tax system. While a particular measure may seem appropriate when viewed in isolation, the measure may not be desirable given the tax system as a whole.
    e. **Revenue integrity –** the tax system should be sustainable over time and minimise opportunities for tax avoidance and arbitrage.
    f. **Fiscal impact –** ensuring that the tax reforms are affordable given fiscal constraints and ensure the tax base remains intact.

28. Compliance costs, liquidity and double taxation risks are the criteria that are most directly linked to the policy objective of addressing tax barriers to highly skilled people migrating to and remaining in New Zealand. These criteria need to be balanced against coherence and revenue integrity to ensure that the rules align with the overall tax system and do not create opportunities for tax avoidance. Proposals were also considered against other criteria including administration costs to Inland Revenue, and fiscal impact.

What scope will options be considered within?

29. Options will be considered using the criteria above, which were developed through the problem definition and the objectives. The scope of options has been limited to amendments to the FIF rules. Broader changes to the tax system have not been considered.
30. There was considerable analytical work completed in advance of the first phase of this work, leading to the enactment of the RAM for new and recent migrants. To provide certainty and stability to taxpayers, options considered were limited to those that would be broadly consistent with this earlier work, and amendments to other existing parts of the FIF rules. A wider review of the FIF rules would have required significantly more time and resources, and so was not undertaken at this time.
31. Non-regulatory options would be unable to resolve tax-specific barriers to migration and permanent settlement. However, migration decisions are complex and influenced by a wide variety of factors, so tax may not be a decisive factor for many people. In addition, its power as an attractive force for people who would not otherwise want to migrate or remain here may be limited. There may be other non-tax levers that can better (or further) address the broader Government objective to make New Zealand an attractive destination for people with skills and capital to settle permanently. These are outside the scope of Inland Revenue's work.
32. However, submissions highlighted that the current FIF rules were a barrier for some people who otherwise did want to remain or migrate here. The intention of the current changes is to lower that barrier, so people who want to remain in or migrate to New Zealand are not unduly discouraged from doing so by the FIF rules.

What options are being considered?

Option One – Status Quo

33. Maintaining the current policy settings. The issues created under the status quo are explained in section one. People with skills and capital, including those who are already here, may be discouraged from remaining in New Zealand long-term because of the compliance, liquidity and double taxation risks that arise from the current FIF rules. This includes the horizontal inequities arising from the restricted access to the reforms introduced as part of phase one. Option one could result in a lower skilled and less capital-intensive workforce, as these people choose to leave New Zealand.

Option Two – Expand access to the RAM

34. The RAM allows taxpayers to pay tax on a realisation basis for their unlisted foreign shares. For those facing concurrent taxation in another jurisdiction due to citizenship or permanent residency, the RAM allows them to pay tax on a realisation basis for all foreign shares. However, it is currently restricted to new and recent migrants. Option two would expand access to the RAM to existing New Zealand residents for their foreign

unlisted shareholdings. This would address key liquidity and double taxation risks that arise from the current rules for taxing notional (deemed) income.

Option Three – Expand access to the AFI method

35. Some taxpayers with an interest of 10% or more in a FIF can use the AFI method, provided they hold the required financial information to do so. These taxpayers typically have a more active role in the company they have invested in. As such it makes sense for them to be taxed on this holding similarly to how controlled foreign companies are taxed (as these are also active investments). This means that in many cases only dividends are taxed.

36. However, there are cases where active shareholders who previously used this method can lose access to it as their ownership share is diluted below 10% during business expansion. This can mean an individual goes from paying tax on actual dividends received to paying tax on a deemed dividend under the fair dividend rate method, with no means to liquidate part of their holdings to pay the tax liability.

37. The RAM only partially addresses the concerns of this group as they would still be taxed on any capital gains that have accrued when they dispose of their interest. Stakeholders have indicated that the status quo will encourage some of the entrepreneurs within the Government's target population of people with skills and capital to leave New Zealand once their stake in their businesses drop below 10%.

38. This option therefore proposes to allow taxpayers who currently use the AFI method to continue to do so after their shareholding falls below 10%, provided they continue to hold an active role in the company (such as being a director, executive, or employee). This active role test is an integrity measure to ensure this method is only used in the intended circumstances.

Option Four - Combination of expanding access to both the RAM and the AFI Method

39. Options two (expanding access to the RAM) and three (expanding access to the AFI method) could be delivered concurrently to maximise the benefits of reform. Option four would do this, removing more potential barriers to retaining people with skills and capital in New Zealand.

How do the options compare to the status quo/counterfactual?

	Option One – Status Quo	Option Two – Expanding access to the RAM	Option Three – Expanding access to the AFI method	Option Four – Combination of preceding options
Compliance costs and administration costs	0	+ This method is more intuitive to apply than other methods	0 This method has at least similar compliance costs to applying alternate methods	+ More intuitive compliance for those who can use the RAM
Liquidity and double taxation risks	0	++ No longer taxed on deemed income, reduced risk of double taxation	+ No longer taxed on deemed income, reduced risk of double taxation – but both for a very small population	++ No longer taxed on deemed income, reduced risk of double taxation
Efficiency	0	+ Improves investment efficiency by reducing tax barriers	+ Removes tax disincentive for business growth for active shareholders	++ Improves investment efficiency and removes tax disincentive to business growth
Coherence	0	+ Improved by allowing all New Zealand residents to use the RAM	+ Greater coherence with taxation of other active investments	++ More consistent taxation for unlisted foreign shares and active investments
Revenue integrity	0	0 Includes integrity measures to mitigate risk	0 Includes integrity measures to mitigate risk	0 Includes integrity measures to mitigate risk
Fiscal impact	0	-- Medium fiscal impact	- Small fiscal impact	-- Medium fiscal impact

Overall assessment	0	+	+	++

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

40. Option four (Combination of all options) is likely to best address the problem. Option two and option three would each separately address some of the identified barriers and at a lower fiscal cost but would leave others unaddressed. By packaging options two and three together, it is possible to address more potential tax barriers to retaining people with skills and wealth than either option on its own.
41. Option four will better support the Government's "Going for Growth" agenda, which seeks to make New Zealand a more attractive place for talent and investment. The package does this by removing some of the disincentives of the FIF rules that have been identified as particular areas of concern for this target population.

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

42. Yes, the Minister's preferred option is the same as officials' preferred option (option four).

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups	**Comment** *nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.*	**Impact** *$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.*	**Evidence Certainty** *High, medium, or low, and explain reasoning in comment column.*
Additional costs of the preferred option compared to taking no action			
FIF Taxpayers	No costs have been identified.	n/a	n/a
Inland Revenue	One-off costs of updating guidance material and some minor systems changes. There will also be some ongoing increased administrative costs from scaling up the first phase changes.	Low	High
Crown	Ongoing cost of lower tax revenue due to the changes to eligibility for the RAM and the AFI method.	$37.7 million over forecast period	Low
Total monetised costs		$37.7 million over forecast period	*Low*

Non-monetised costs		*Low*	*Low*
Additional benefits of the preferred option compared to taking no action			
FIF Taxpayers	Non-monetised benefit of lower compliance costs, reduced liquidity challenges and lower double taxation risks that can arise from the current FIF rules. There will be a monetary benefit, and also a timing benefit for those using the RAM as tax on the growth of the asset will only be taxable on realisation, rather than annually. These monetary benefits will be the same as the fiscal cost of the package (i.e., $40 million over the forecast period. Taxpayers who sell shares that have grown significantly in value may pay more tax under the RAM than the standard method. However, taxpayers will still be able to elect to use the standard method if they wish to do so (provided they do so for all their qualifying shares and subject to a restriction on the frequency of method changes).	At least $37.7 million over forecast period	Low
Crown	The proposed changes are expected to address tax barriers to people with skills and wealth from settling permanently in New Zealand and contributing to our economy and society.	Low	Low
Total monetised benefits		At least $37.7 million over forecast period	Low
Non-monetised benefits		*Low*	*Low*

Section 3: Delivering an option

How will the proposal be implemented?

43. The proposed changes will require amendments to the Income Tax Act 2007, which will be made through the omnibus taxation Bill 2026. The legislative changes will take effect from 1 April 2026. This retrospectivity is feasible because tax returns for the 2027 year will not yet be due by the time the bill has been passed.

44. Inland Revenue will be responsible for the implementation and administration of the new rules. Inland Revenue will issue guidance in the Act Commentary and Inland Revenue website to support understanding of the new rules and taxpayer compliance. Internal guidance will also be issued to support operational departments.

45. The proposed changes will not require any significant systems changes, it largely involves the scaling up of changes made as part of phase one.

How will the proposal be monitored, evaluated, and reviewed?

1. The purpose of the proposal is to amend the settings of the FIF rules that incentivise people to leave New Zealand. Inland Revenue will monitor the proposed reforms on an ongoing basis, including engagement with stakeholders to gather feedback on the implementation of the rules and whether further changes may need to be considered.
2. However, tax is generally neither a strong nor decisive factor in migration considerations, limiting the value of this source of data in evaluating the policy changes. The decision to leave New Zealand may be driven by other factors not related to the FIF rules and in any event, would not capture the reason for leaving.