

Information Sheet

This information sheet explains the current policy proposal included in Budget 2026. The proposal may change as the legislation moves through the parliamentary process. The information is up to date as at 28 May 2026.

Foreign investment fund changes

The Government wants New Zealand to be an inviting country for highly skilled people. This includes retaining the talent already here as well as incentivising new migrants and overseas Kiwis to return. The changes to the foreign investment fund (FIF) rules seek to reduce tax barriers to better attract and retain skills and capital.

These changes would:

- Allow all New Zealand residents to use the revenue account method (RAM) for their unlisted foreign shares, so that they pay tax only on realised gains and actual dividends received. This was previously limited to recent migrants.
- Allow any New Zealand resident who faces concurrent taxation in another jurisdiction (due to citizenship or a right to work there), to access the extended RAM. This would allow them to pay tax only on realised gains and actual dividends received for all their foreign shares (both listed and unlisted). This was previously limited to recent migrants.
- Increase the FIF de minimis threshold to \$100,000 of overseas investments (from \$50,000), reducing the compliance costs of smaller investors because they would not have to apply the FIF rules to their portfolios.
- Ensure that founders, active investors and other key employees could continue to use the attributable FIF income method even if their stake in their business falls below 10% during business growth.
- Ensure that New Zealand investors could continue to access the 10-year FIF exemption for corporate migrations if their business lists on an overseas stock exchange, regardless of the method by which they list.

These changes would apply from 1 April 2026 for the 2026–27 tax year.

Expanding access to RAM and extended RAM

A new FIF calculation method, the RAM, was introduced on 30 March 2026 for recent migrants. The most common FIF calculation method (the fair dividend rate method or FDR) deems the investor to earn income equal to 5% of the opening value of the foreign share each year, regardless of actual income received from the share. This can cause liquidity issues for unlisted shares because it can be challenging to sell unlisted shares to fund the tax liability. Other FIF calculation methods are available, but they typically all have the same issue of requiring income to be returned each year regardless of whether the investor has sold any shares or received dividends.

The RAM addresses these concerns for unlisted foreign shares by taxing only 70% of the gains realised on sale of the share during the year, plus any actual dividends received. However, when introduced, eligibility to use the RAM was limited to New Zealand tax residents who arrived after 1 April 2024. This

was to address an imminent risk of this population leaving New Zealand because they were reaching the end of their transitional residence period and about to become subject to the FIF rules for the first time.

The Government proposes to expand access to the RAM to all New Zealand tax residents for their unlisted foreign shares.

This expansion would also allow all New Zealand residents who are subject to double tax due to citizenship or right to work in another country (primarily migrants from the United States) to use the RAM for their listed shares as well, regardless of the date they migrated. This is known as the extended RAM and is required because tax paid under traditional FIF calculation methods may not be creditable against United States taxes.

Increasing FIF de minimis to \$100,000

Currently, taxpayers with foreign shares that have a cost of less than \$50,000 do not have to apply the FIF rules. This is known as the FIF de minimis threshold. This is to reduce compliance costs for these smaller investors. The FIF de minimis threshold was last set in 2000. Since then, inflation has eroded the real value of this threshold, resulting in a greater proportion of investors being required to apply the FIF rules than was originally intended.

The Government proposes to increase the FIF de minimis threshold to \$100,000. This would fully account for consumers price index (CPI) inflation since the year 2000, restoring the real value of the threshold and reducing the number of small investors who are required to apply the FIF rules. This would have compliance cost benefits for these investors.

Investors would still be able to apply the FIF rules, should they wish.

Expanding access to attributable FIF income (AFI) method

Some taxpayers with an interest of 10% or more in a FIF can use the AFI method. This involves complex calculations based on the controlled foreign company rules and means that in many cases only dividends are taxed. These taxpayers typically have a more active role in their investment, so 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).

However, sometimes founders or other early active investors who previously used the AFI method can lose access to this method as their ownership share dilutes below 10% during business expansion. This can mean going from paying nil tax (because their business may not yet be paying dividends) to paying tax on a deemed dividend under the FDR method each year, with no means to liquidate their holdings to pay the tax liability.

The RAM only partly addresses the concerns of this group because they would still be taxed on any gains that have accrued when they dispose of their interests. It is possible that without this amendment people with skills and capital such as entrepreneurs may leave New Zealand when their business grows and they can no longer use the AFI method.

This amendment would ensure that an active investor (such as an entrepreneur) who previously held at least a 10% interest in the FIF and used the AFI method could continue to use this method even if their stake falls below 10%. This is provided they continue to be an active investor and have access to the necessary information to complete the calculations.

Clarifying eligibility for 10-year FIF exemption in cases of corporate migration

Currently, there is a 10-year exemption from the FIF rules available to New Zealand shareholders when a business migrates offshore. This applies in particular to founders and venture capital funds. This exemption requires that the shareholder acquired the shares before the company migrated from New Zealand and also before the shares were listed on a recognised exchange. It is intended that these investors would be able to continue to invest in the company after it has listed without losing the exemption.

However, New Zealand shareholders are currently falling out of this exemption when the business lists on a US stock exchange due to a recent rise in popularity in listing using special purpose acquisition companies (commonly known as SPACs). This process technically disrupts continuity of ownership of the shares despite no change in substance. This occurs because the SPAC is a new company that is first listed on a US stock exchange. The New Zealand business is then subsequently merged into the SPAC. This involves the cancellation of the shares in the New Zealand business and their replacement with shares in the SPAC. As a result, the New Zealand shareholders are treated as acquiring new shares in an already US-listed company, and so are ineligible for the 10-year exemption in respect of them. This can result in a large tax liability arising under the FIF rules when there is no underlying income stream because these investments tend to be in their growth phase and making losses.

The proposed change would re-align the exemption with its original intent. Regardless of the method used by a New Zealand business to list on a foreign exchange, the New Zealand shareholders would be eligible for a 10-year FIF exemption (provided all other requirements are also met).