



23 January 2026



Dear



Thank you for your request made under the Official Information Act 1982 (OIA), received on 7 December 2025. You requested the following document:

*BN2025/403: Meeting on capital markets with the Minister of Commerce and Consumer Affairs*

### **Information being released**

The document you have requested is enclosed, as **Appendix A**, with some information withheld or refused under the following sections of the OIA, as applicable:

- 9(2)(a) – to protect the privacy of natural persons, and
- 9(2)(f)(iv) – to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials.

As required by section 9(1) of the OIA, I have considered whether the grounds for withholding the information requested are outweighed by the public interest. In this instance, I do not consider that to be the case.

### **Right of review**

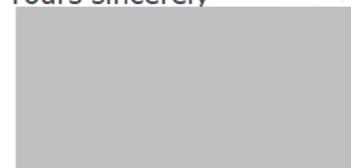
If you disagree with my decision on your OIA request, you have the right to ask the Ombudsman to investigate and review my decision under section 28(3) of the OIA. You can contact the office of the Ombudsman by email at: [info@ombudsman.parliament.nz](mailto:info@ombudsman.parliament.nz).

### **Publishing of OIA response**

We intend to publish our response to your request on Inland Revenue's website ([ird.govt.nz](http://ird.govt.nz)) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you again for your request.

Yours sincerely



Josh Green

**Domain Lead, Ministerial Services**

## Briefing note

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Reference: BN2025/403

Date: 2 October 2025

To: Revenue Advisor, Minister of Finance – Carl Harris  
Revenue Advisor, Minister of Revenue – Angela Graham  
Private Secretary, Minister of Revenue – Melissa Zhen

From: David Cuellar

Subject: **Meeting on capital markets with the Minister of Commerce and Consumer Affairs**

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### Purpose

1. This briefing note provides information on possible tax measures that could be implemented to support capital markets in advance of a meeting on 7 October 2025 between Ministers Willis, Watts, and Simpson.
2. Several options have been proposed from various sources, including NZX, the New Zealand Institute of Economic Research (NZIER), as well as potential changes to the portfolio investment entity (PIE) regime to support KiwiSaver investment in private assets.

### NZX proposals and NZIER report

3. We provided the Minister of Revenue's office with information on options recently proposed by NZX (BN2025/284 refers). These proposals, and our views, are summarised in **Appendix 1**.
4. NZX commissioned NZIER to analyse these proposals. NZIER's main conclusion is that only considering the proposals from the perspective of whether they contribute to improving the tax system would be a missed opportunity to develop New Zealand's capital markets and improve economic welfare. NZIER supports all of NZX's proposals, with a summary of their comments on each proposal also in **Appendix 1**.
5. The report suggests that the proposals should be evaluated in the context of the boundary between taxed and untaxed income. The example of untaxed owner-occupied housing is used to illustrate the bias the New Zealand tax system has against taxed assets. The report outlines options that could facilitate shifts toward productive investment. NZX's proposals can therefore be viewed as reducing existing biases in the tax system.

### *Inland Revenue's general comments*

6. NZX's proposals generally are, as justified by NZIER, motivated by the idea that biases in New Zealand's tax system can be mitigated by ensuring the relative

taxation between asset classes is made similar. The comparison made is between investment in owner-occupied housing versus investment in securities held directly.

7. We agree that NZX's proposals would change the relative taxation between those asset classes in favour of investment into capital markets. However, we do not agree that this is a sufficient reason to progress the proposals.
8. The non-taxation of owner-occupied housing does create a distortion between owner-occupied housing and other investments. Because of this distortion, taxing investments is more distortionary than it would otherwise be. However, our view is that this justifies consideration of the level of taxation of all alternative investments rather than focussing only on equities listed on the New Zealand stock exchange. We do not recommend lowering the taxation on these listed investments and thereby introducing a new distortion at the boundary of listed equities and all other investments.
9. Several tax initiatives that have positive implications for capital markets are in progress or have been finished. These include:
  - Increases in employer and employee KiwiSaver contributions (Budget 2025)
  - Thin capitalisation for infrastructure projects s 9(2)(f)(iv)
  - Investment Boost (Budget 2025 plus ongoing improvements)

#### *Alignment with treatment of PIEs*

10. The tax rate on PIE investments is capped at the company tax rate. This has created a distortion as PIEs are more attractive as a vehicle for investment compared to investing directly or through a company. In addition, profits from selling shares are excluded income under the PIE rules, whereas investors holding shares directly are subject to the capital/revenue test for whether profits on sale are taxable.
11. We do not support reducing the tax rate on investments in NZX-listed shares and debt securities. This would be a significant change given that personal income is generally taxed at marginal tax rates. It is not clear that taxing this source of income at less than investors' marginal rates is an efficient way of supporting capital markets and/or economic growth. s 9(2)(f)(iv)
12. Similarly, if the treatment of profits on sale of shares held directly was changed to be excluded income, this would be a departure from the general treatment of trading stock. Many other industries would benefit from treatment of gains on trading stock as excluded income, so Ministers would need to consider why such a change would only be applied in the capital markets context.

#### *International tax proposals*

13. We do not support prioritising or progressing the NZX's proposals at this time. While there is some merit in the proposal to remove non-resident withholding tax (NRWT) from dividends sourced from foreign earnings paid to non-resident shareholders of NZX-listed companies, we do not see a rationale for limiting the exemption to NZX-listed companies, and the proposal would come with a fiscal cost (NZX estimates a cost of up to \$21 million per annum). Many investors are likely already able to claim credits for NRWT paid on dividends, and complex changes to current rules would be required to ensure that no loopholes exist. The 2009 Report of the Capital Markets Development Taskforce indicated that "there does not appear to be compelling evidence that such an exemption would be in New Zealand's best interest."

14. We do not support the proposal to remove the application of transfer pricing and thin capitalisation rules to NZX-listed companies. These rules are important measures to prevent companies from shifting profits out of New Zealand and reducing their taxable income here. Contrary to what is claimed in the NZIER report, such profit shifting is still a concern for New Zealand headquartered multinationals in respect of their dealings with overseas subsidiaries.
15. We are already progressing tax policy changes to lower costs to businesses and improve capital investment into New Zealand. Budget 2025 set aside funding for changes to thin capitalisation rules for infrastructure, s 9(2)(f)(iv)

The policy changes currently on our work programme will support your goal of lowering the cost of capital for businesses, without the risks and costs associated with the proposals made by the NZX.

*Other tax issues raised*

16. NZX have also proposed a tax deduction for the costs of raising equity on regulated New Zealand capital markets. The costs incurred in raising equity are capital in nature and are not deductible or depreciable.
17. Inland Revenue commenced work on this issue in 2010 (following the 2009 Taskforce), but work was not progressed due to the fiscal cost (at the time, the expected fiscal cost was in the range of \$15-32m per annum). It is also not immediately clear why this proposal should be limited to listed companies. We could provide further advice on this issue if Ministers were interested.
18. Finally, NZX proposed that the ASX tax-free demerger rules apply to NZX-listed company demergers. A company demerger (when a company splits) currently gives rise to a dividend unless the company is listed on the ASX. Unless shares in the demerged entities were somehow more valuable than the previous combined entities, it is difficult to see why issuing shares should be regarded as a taxable event.
19. There may be some merit to this proposal, and we could provide further advice on this issue if Ministers were interested. However, we note the proposal is expected to be complex to develop as there is a need to ensure such a rule would not be abused.

s 9(2)(f)(iv)

s 9(2)(f)(iv)



### **Consultation**

27. The Treasury and MBIE were informed of this briefing note.

David Cuellar  
**Senior Policy Advisor**  
s 9(2)(a)

## Appendix 1: NZX initiatives and NZIER report

NZX initiative	NZIER comment	IR view
Provide a tax deduction for the costs of raising equity on regulated New Zealand capital markets	Allowing a deduction for raising equity on a registered exchange would make raising equity more attractive compared to a private placement or equity injections.	Inland Revenue commenced work on this issue in 2010 (following the 2009 Taskforce), but work was not progressed due to the high fiscal cost (at the time, the expected fiscal cost was in the range of \$15-32m per annum).  Could be added to work programme but IR unlikely to support it being prioritised over other work. The costs incurred in raising equity are capital in nature and are not depreciable. It is not immediately clear why this proposal should be limited to listed companies.
Apply the ASX tax-free demerger rules to NZX-listed company demergers	A company demerger currently gives rise to a dividend unless the company is listed on the ASX. Unless shares in the demerged entities were somehow more valuable than the previous combined entities, it is difficult to see why issuing shares should be regarded as a taxable event. Taxing demergers as income would involve over-taxation.	Could be added to work programme but IR unlikely to support it being prioritised over other work. Would be complex to develop (including anti-avoidance provisions) to ensure such a rule would not be abused.
Remove non-resident withholding tax (NRWT) from dividends paid to non-resident shareholders of NZX-listed companies sourced from exempt foreign earnings	The proposal would constitute a small step towards a residence-based tax system and is therefore expected to lower the cost of capital slightly for applicable firms.	IR does not recommend progressing this initiative at this time. NZX has estimated a cost of \$21m per annum. Complex rules may be required to ensure that there were no loopholes enabling NZ to serve as a conduit for international business activity without an appropriate amount taxed in New Zealand.
Remove the application of transfer pricing rules and thin capitalisation rules to NZX-listed companies	It is difficult to imagine how listed companies, with multiple overseas shareholders, could engage in either transfer pricing or thin capitalisation. These arrangements necessitate departures from normal commercial operations and the mutual agreement of both parties to the transactions.	IR does not recommend progressing this initiative. The thin capitalisation rules and transfer pricing rules are important measures to prevent companies from shifting profits out of New Zealand and reducing their taxable income here. We do not consider that any type of taxpayer should be exempt from these rules.
Extend the PIE tax rules on gains and losses to all investments in NZX-listed shares	A PIE is not taxable on realised share gains made on NZ and Australian companies, whereas people in the business of trading shares will be taxed on gains. PIEs have complete certainty in their tax treatment, while individuals are subject to what is generally regarded as a complex boundary: the revenue/capital distinction.	Could be added to work programme but IR unlikely to support it being prioritised over other work. This would override the capital/revenue distinction for direct investors, which is generally inconsistent with other asset classes. It would be a substantial piece of work.
Extend the PIE tax rates to all investments in NZ-listed shares and debt securities	Individuals investing directly in shares or holding debt are taxed at their marginal tax rate on dividends and interest received. If they had held those investments through a PIE, then they are taxed at their PIE rate, which is always capped at 28%. The proposal is that, instead, the taxpayer's PIE rate would apply to individual investors.	IR does not recommend progressing this initiative  s 9(2)(f)(iv) 