



## COVERSHEET

<b>Minister</b>	Hon Michael Wood	<b>Portfolio</b>	Immigration
<b>Title of Cabinet paper</b>	The Investment Attraction Strategy and Investor Migrants	<b>Date to be published</b>	5 October 2022

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
August 2021	<i>The Investment Attraction Strategy and Investor Migrants</i>	<i>Office of the Minister of Immigration</i>
11 August 2021	<i>DEV-21-MIN-0162 Minute</i>	<i>Cabinet Office</i>

### Information redacted

YES /  NO

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Some information has been withheld for the reason of constitutional conventions, international relation, confidential advice to Government, and privacy of natural persons.

**[In Confidence]**

Office of the Minister of Immigration

Office of the Minister for Economic and Regional Development

Chair, Cabinet Economic Development Committee

## **The Investment Attraction Strategy and Investor Migrants**

### **Proposal**

- 1 New Zealand's international reputation as an attractive location to do business has been strengthened as a result of our handling of the COVID-19 pandemic. This presents an opportunity to amend our investor category settings to target the type of investment and skills that will help our innovative firms to grow and scale, and support the creation of high-value jobs.
- 2 To this end, this paper proposes:
  - 2.1 a new Active Investor Plus visa category and associated border exception for experienced high-value investors;
  - 2.2 border exceptions to enable qualifying Investor 1 migrants and 50 individuals under the Global Impact Visa category to travel to and enter New Zealand; and
  - 2.3 closing the current Investor 1 to new applicants and permanently closing the Investor 2 category.

### **Relation to government priorities**

- 3 The Labour Party's manifesto commitments included an intention to establish a new Investment Attraction Strategy (the Strategy). This was affirmed in the Speech from the Throne and is part of the Government's plan to accelerate the economic recovery and rebuild, with the long-term goal of transitioning to a more sustainable and productive economy.

### **Executive Summary**

- 4 New Zealand's quick response in closing the borders and our effective handling of the COVID-19 virus has been recognised globally. We have a window of opportunity to capitalise on our reputation as a safe, secure and attractive destination. Around the world, populations are starting to be vaccinated, businesses are reopening and there is increasing interest in the contribution that high-value investors can bring. We want to use New Zealand's strong brand to attract international investment into areas of the economy that will support our businesses to grow, and create quality, well paid jobs for New Zealanders.

- 5 High-quality international investment will support New Zealand businesses and the economy to recover from COVID-19 and to continue to grow and expand. We intend to lift the amount of active investment by establishing a new resident visa category, Active Investor Plus, and associated border exception. The new visa will require investors to invest a minimum of \$25 million. Investment into the highest-risk asset classes will be weighted, with the effect of lowering the minimum funds requirement for a portfolio comprising these types of investments. This means an investor could invest between \$8.5 million and \$25 million to be eligible for this visa, depending on the weighting of the investment.
- 6 This paper also recommends a border exception for investors whose residence is approved, or approved in principle, under the Investor 1 visa category (through investing at least \$10 million in New Zealand). In addition, we propose a border exception for 50 individuals under the Global Impact Visa category. These investors will bring a range of business skills and experience, and international networks that can be harnessed to support our economic recovery and rebuild.
- 7 To streamline our business and investor settings, we will close the Investor 1 visa category to new applicants. Constitutional conventions  
The Investor 2 visa category will be closed permanently. An overview of the current settings and proposed changes is attached as Annex One.

## Background

*The Investment Attraction Strategy targets high-value investment, skills and international networks*

- 8 We have recently announced that we intend to use the opportunity created by the border closure to rebalance the immigration system to help address New Zealand's skills, productivity and infrastructure challenges. This includes reducing our reliance on lower skilled migrant workers and adjusting our settings to ensure New Zealanders are prioritised for jobs. The attraction of global talent and skills is critical to support our transition to an innovative, productive, and sustainable economy and is one of the outcomes sought from the immigration rebalance.
- 9 The Strategy aims to attract high-quality investment into New Zealand, a key enabler of a more productive, sustainable and inclusive economy. It does this by:
  - 9.1 generating and showcasing investment opportunities with productive, sustainable and inclusive impacts in areas of competitive advantage
  - 9.2 targeting and attracting innovative companies, investors and entrepreneurs that bring smart capital
  - 9.3 facilitating the investment process to ensure the benefits to New Zealand are maximised.

- 10 Two key focus areas of the Strategy are increasing active investment into New Zealand businesses and attracting more businesses to invest directly in New Zealand via subsidiaries, new projects, or relocating businesses. The Strategy aims to attract investment into frontier firms, bring ideas, international connections, skills and technology to New Zealand, and to anchor and support the development of priority sectors.
- 11 Progress is being made towards the Strategy's goals, and officials are increasingly targeting desirable businesses and successful investors and entrepreneurs directly. Digital matching services and investor readiness education efforts have been increased, and sector and regional specific content is being developed for potential investors.

*Recent border exception decisions to encourage international investment*

- 12 The New Zealand borders were closed in March 2020 to almost all travellers to stop the spread of COVID-19. As capacity in managed isolation and quarantine (MIQ) facilities has allowed, we have made strategic decisions about border exemptions and exceptions for specific groups, balancing economic, social and humanitarian objectives. To date, these have tended to be narrow exceptions limited to a certain number of individuals.
- 13 To encourage international investment, we have adjusted our border settings to facilitate flows of investment, skills and knowledge. On 17 March, Border Ministers agreed to add the New Zealand Trade and Enterprise (NZTE) Investment Attraction Strategy and the Innovative Partnerships Programme to the Government-approved programmes list.
- 14 The Innovative Partnerships programme offers a bespoke service for international companies to consider New Zealand as a research and development destination. The programme combines this partnership approach with a focus on developing ecosystems that create early successes. The ecosystems that have developed around these "Platform Plays" have stimulated domestic innovation and capability, created more effective processes and working relationships amongst regulators, evidenced for example by the development of the world-leading New Zealand Airspace Integration Trials Programme.
- 15 The NZTE Investment Attraction Programme attracts investment into priority sectors in New Zealand and facilitates high value investments between international companies and key New Zealand businesses and sectors. The programme accomplishes this by connecting its global network of investors to prepared opportunities. The access to capital and skilful international investors enables New Zealand businesses to develop the knowledge and connections needed to expand nationally and internationally.
- 16 Both of these exceptions will enable personnel from global organisations who intend to invest in New Zealand enterprises, or to set up research and development facilities, to enter New Zealand to conduct due diligence and face-to-face negotiations.

- 17 Border settings have not allowed resident visa holders, including investors, to enter New Zealand if they have not previously travelled on that visa. Stakeholders have raised concerns about the impact of the current border restrictions on New Zealand's ability to attract international investment, especially since other countries including Australia are open to investors.
- 18 To address this, Border Ministers also agreed in principle on 17 March to a border exception for 100 investor migrants and their family members, subject to Cabinet approval.
- 19 On 6 April 2021, the Cabinet Priorities Committee [CPC-21-MIN-0006]:
- 19.1 noted the briefing from the Minister of Immigration that stated that the immigration system is an important lever to support the government's economic recovery goals and that the border closure has presented an opportunity to explore a reset of immigration portfolio priorities to better support the recovery; and
- 19.2 invited the Minister of Immigration, in consultation with the Minister for Economic and Regional Development, to bring a proposal on a new investor visa strategy to the Cabinet Business Committee on 19 April 2021.
- 20 This paper fulfils that report back requirement.

**Our investor visa programmes target capital and entrepreneurial skills to support innovation and economic development**

- 21 New Zealand currently has two investor visa categories (Investor 1 and Investor 2), which were last reviewed in 2017. Related visa categories target individuals who have experience in establishing or growing businesses (the Entrepreneur work and residence visas), while the Global Impact Visa category targets high-impact entrepreneurs, investors and start-up teams.

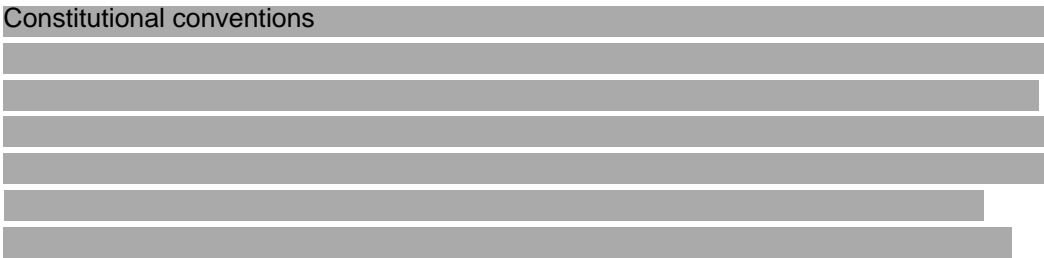
*The Investor 1 category is not capped and requires a minimum \$10 million investment*

- 22 The Investor 1 visa requires investors to invest a minimum of \$10 million in New Zealand for three years. Investors must spend 88 days in New Zealand over the three years, during which they have conditions on their visa. This category is aimed at attracting investors who bring skills, international connections and capital. There are no language or business experience requirements for this category; no requirement for investors to use their skills to positively impact businesses; and the investment can be in bonds.
- 23 The Investor 1 visa category has attracted \$5.6 billion in initial investment in the 12 years it has been running. 560 investors have entered New Zealand under this category, the majority in the last five years.

*The Investor 2 category is capped and has tighter requirements on applicants*

- 24 The Investor 2 visa category requires individuals to invest a minimum of \$3 million for four years. It is capped at 400 approved investors per annum, and is points-based, with applicants submitting an Expression of Interest (EOI) in applying for a visa, and selections made on the basis of the highest points. Successful applicants are then invited to apply for a visa. Once approved, investors must spend 146 days in New Zealand per year for three years.
- 25 Business experience and language requirements are attached to this visa, which is aimed at attracting mid-stage career investors to New Zealand. The longer period of time that these investors are required to spend in the country means they are more likely to use their skills and experience to contribute to and impact New Zealand's business sector and the economy.
- 26 The Investor 2 category has attracted \$4.8 billion in initial investment to New Zealand since 2009. More than 2,250 investors have come to New Zealand through this category.
- 27 These two investor visas have attracted large amounts of funds into New Zealand, but the benefits to New Zealand and for investors of this investment may have been muted, as much of it is made in passive investments such as bonds (viewed as the easiest and safest investment product for early stage immigration purposes). Research has indicated that investors will generally invest more, and shift to more active investments, as they gain knowledge of New Zealand's economy and business environment<sup>1</sup>.

*Entrepreneur and Global Impact Visa categories*

- 28 The current Entrepreneur Category work and resident visa categories were established in 2014. The Entrepreneur Category policy has the objective of attracting entrepreneurs to establish high growth, innovative businesses with export potential. To address issues identified in previous policies, applicants are required to provide and stick to a strict business plan and are assessed against criteria through a points-based system that considers age, prior business experience and the expected business location and job creation.
- 29 Constitutional conventions  

- 30 The Global Impact Visa, a three year work visa, was created as a four year pilot programme in 2017. The intention of the visa is to attract and integrate

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<sup>1</sup> Premium Research. 2016. *Immigration New Zealand Investor Migrant Research 2016: Report on Quantitative and Qualitative findings*. Wellington: Ministry of Business, Innovation and Employment.

high-impact potential entrepreneurs to come to New Zealand to help establish and grow successful innovation-based businesses. The Global Impact Visa programme is novel, as it employs a public-private partnership model (with the Edmund Hillary Foundation) and uses a network-based selection process to identify potential candidates.

- 31 To date the programme has attracted 528 fellows, including 118 New Zealanders. The programme is generating some positive early results including the creation of 61 new businesses, 157 jobs, and \$53.2 million investment. However, the border closure has disrupted the pilot, as recent programme participants have been unable to travel to New Zealand to activate their ideas and ventures.
- 32 The lessons from the Global Impact Visa pilot will be used to inform advice on the future of the programme, which will be provided to the Minister of Immigration next year.

**A new Active Investor Plus visa is proposed to lift the volume and value of investment in growth oriented areas of the economy**

- 33 New Zealand's handling of COVID-19 has lifted our global reputation as an attractive location to live and invest. We can use this opportunity to reset our investor visa settings to increase investment in growth oriented areas of the economy that will support increased productivity and competitiveness.
- 34 To this end, we propose to create a new Active Investor Plus visa and associated border exception. The requirements are described in detail in Annex Three. In summary, they include:
- 34.1 a minimum investment amount of \$25 million, or weighted equivalent
  - 34.2 strengthened requirements around investment categories (with a focus on active asset types)
  - 34.3 English language skills
  - 34.4 the required number of days an investor would have to spend in New Zealand would remain the same as for Investor 1 (88 days over the three-year period).
- 35 The Active Investor Plus visa will be targeted towards investors with a genuine desire to invest in innovative New Zealand businesses, and to contribute their knowledge and skills to support our frontier firms.
- 36 Investment in bonds will still be possible, but only for the first twelve months after the visa is granted, replaced by investment in active asset types (or committed to a fund) for the subsequent two years. Investors who intend to use the weighting system will be able to place the weighted amount in bonds for up to twelve months, or to place it straight into the weighted investment if preferred. Checks by Business Immigration Specialists at the two year and three year period will ensure that investors are continuing to invest the correct

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amounts into the appropriate asset types. Investors who have not met those conditions could be made liable for deportation.

- 37 These requirements will aim to direct investment into Angel funds, Venture Capital, private businesses, or into areas where there is a shortage of smart capital and experienced investors. This will help ensure money invested in New Zealand provides a stronger benefit to the economy.
- 38 Recognising that \$25 million is a high threshold by international standards and that investing in active asset classes in an unfamiliar market is risky, the proposal includes weighting criteria that assign higher value to investment in certain active asset classes that are riskier. This is intended to incentivise greater investment in more active asset classes, while providing a degree of flexibility to investors in how they invest their funds.
- 39 In recognition of the funding needs, typical investment sizes and associated risk of investing in seed or start-up stage companies, investments in these areas will receive a 3x weighting. Private investment in a small New Zealand business (annual revenue less than \$50 million) or via a Venture Capital or Private Equity fund will receive a 2x weighting. All other asset types (such as listed shares) will receive a 1x weighting. The weighting system means that investing \$5 million into Angel or seed funding will count for \$15 million and investing \$5 million into private investment will count for \$10 million.
- 40 Philanthropic investment will continue to be permitted; the maximum amount allowed will be 40% and it will receive a 1x weighting. To date, no investors under either the Investor 1 or Investor 2 categories have chosen to make a philanthropic investment as part of their visa application.
- 41 The requirement for active investment will benefit smaller businesses and help us to meet our commitment of improving access to finance for small and medium-sized businesses. There is currently a shortage of capable investors, financial intermediaries and products. Niche exporters, Māori businesses and environmentally friendly businesses typically have features that banks view as risky. Investors could help to provide the necessary capital for businesses to expand and have the opportunity to grow into larger more productive businesses.
- 42 According to the latest start-up investment report from PwC, start-up investment in New Zealand has grown and matured despite the challenges of COVID-19, and there has been a broadening in the start-up investor base, helped by a range of programmes run out of Callaghan and New Zealand Growth Capital Partners.
- 43 This makes it an ideal time to shift our investor visa settings to encourage increased investment in these areas. Over the last 15 years, the value of start-up investment in New Zealand has grown from just \$20 million in 2006 to \$158 million in 2020. This trend demonstrates that early stage investment is maturing in New Zealand.

**IN CONFIDENCE**



*Some investors will choose to invest in countries with lower investment requirements*

- 44 We anticipate that uptake of the new Active Investor Plus visa may be lower than the levels of interest that we have been experiencing in the Investor 1 and Investor 2 visa categories as investment in bonds is now only allowed for one year as a part of a transition. Uptake is likely to drop initially as a natural reaction to changing visa requirements and the increase in the minimum investment threshold is also likely to reduce the number of applicants. However, the threshold for investment in Angel or seed funds has effectively fallen from \$10 million to just under \$8.5 million if an investor were to place their full investment into either of these types of asset classes due to the 3x weighting. Given the high level of risk associated, the limited availability and the more engagement required with these types of investments, we do not anticipate many investors, if any, will invest entirely in Angel or seed investments.
- 45 Previous visa categories with high investment requirements have had mixed results. For example, the Global Investor Category (from 2007-2009) required an investment of \$20 million for four years. This category attracted Privacy of natural persons investors a year before it was closed. However, New Zealand's economy has become more specialised and diverse over the last decade and we believe it is now able to sustain more ambitious investor settings.
- 46 The requirement to invest \$25 million is higher than countries New Zealand competes with for investors, such as the United Kingdom (UK), the United States of America, Canada, Singapore or Australia (a table comparing international investor programmes is attached at Annex Four). However, as investment in early stage businesses is assigned a higher weighting, this lowers the upfront minimum investment. For example, an investor could invest \$8.33 million in Angel and seed funds and meet the investment threshold.
- 47 The UK has three options for the investor visa, with the highest funds requirement set at NZD \$20 million for two years. However, UK investors do have the option of investing NZD \$3.89 million for ten years if they are not able or willing to meet a higher funds requirement.
- 48 Investors tend to see Australia and New Zealand as comparable in terms of lifestyle and opportunity. Australia currently has three investor visas. The visa with the highest minimum funds requirement (at \$15 million) will be disestablished from July 2021, International relations, Confidential advice to Government [REDACTED] The other two investor categories offered by Australia, a \$5 million investment visa and a \$1.5 million investment visa, may be more attractive to certain investors than the proposed Active Investor Plus visa category.
- 49 Licenced Immigration Advisors and immigration lawyers may recommend that their clients apply for Australian investor visas as this will give them access to both countries. Australian permanent residents can travel to New Zealand and, like Australian citizens, are eligible to be granted a resident visa on arrival in New Zealand. Unless the investor has a particular interest in residing

in New Zealand, the Australian visa with the lower minimum investment would be more attractive.

*Alternative minimum funds thresholds are available*

50 While a \$25 million (or weighted equivalent) minimum funds requirement is our preferred option, scaling is possible should Cabinet wish. The lower the minimum funds requirement, the more potential applicants but with lesser potential for active investment.

51 As an example we have considered two potential options to the proposed minimum investment threshold of \$25 million:

- Option 1: \$10 million minimum funds (or weighted equivalent)
- Option 2: \$15 million minimum funds (or weighted equivalent).

52 The impact of these options compared to the proposed threshold is summarised in the table below.

Minimum investment requirement	High active <sup>2</sup>	Low active <sup>3</sup>	Considerations
1. \$10m or weighted equivalent	\$4m	\$6.6m	\$10 million or its weighted equivalent is closer to comparator countries but if current investment is made in active businesses it is significantly lower than the status quo  Either \$10 or \$15 million would increase the number of potential investors, but would reduce the likelihood of the investment being active investment
2. \$15m or weighted equivalent	\$6m	\$10m	

*Aftercare services are critical to achieving the objectives of the Investment Attraction Strategy*

53 Consultation with stakeholders suggests that familiarity with the New Zealand market is a prerequisite for undertaking active and early stage investments. Outreach and aftercare services are useful as they facilitate familiarity with the New Zealand market. We propose that existing services be strengthened so that they best support investors to make confident investments.

54 There is a strong argument for investor migrant promotion activities to be more closely linked with the key crown entities (like NZTE) that deliver broader investment attraction services. These services include targeting

<sup>2</sup> Assumes 50% Angel, 50% direct VC/PE/SME, 0% public shares  
<sup>3</sup> Assumes 0% Angel, 50% direct VC/PC/SME, 50% public shares

international companies and developing sector and regional content to market directly to potential companies and investors.

- 55 Similarly, there are efficiencies to be gained by locating aftercare services within a crown entity that works closely with private companies, and that provides firm support and investor readiness advice. This should enable better matching of potential investor migrants with more active investment opportunities. We have directed MBIE to shortly provide advice to joint Ministers on the future location of investor migrant attraction services.
- 56 Outreach and aftercare services will continue to be provided to investors. These services help to connect new investors to appropriate investment opportunities and to assist with engaging in the investment system. Legal representatives for investors can be reluctant to provide existing aftercare services with access to their clients' details (less than one in five clients have been referred to date).
- 57 The enhanced aftercare services will focus on integrating investors into the domestic ecosystem, skills identification and partner alignment, including governance opportunities if available. Aftercare will continue to encourage and support ongoing investment by these investors.

*A review of the Active Investor Plus visa after twelve months will assess how the scheme has been operationalised and investor interest*

- 58 We have directed officials to conduct an implementation review of the Active Investor Plus visa twelve months after it goes live. This review will focus on how the scheme is being operationalised and the level of investor and industry engagement with the programme.
- 59 We propose to monitor the experience and activities of investors as part of the ongoing implementation of the Strategy. Investors will be invited to participate in surveys that generate qualitative and some quantitative information to provide insights into how well these international high-value investors are being integrated into New Zealand's ecosystem.
- 60 We also propose discussions at a policy level between MBIE and the Inland Revenue Department to explore options for information sharing to assist in establishing the effectiveness of the visa category at achieving the objectives of supporting increased active investment.

**The creation of a new border exception for Investor 1 migrants will signal that New Zealand is open to international investment**

- 61 We propose a border exception to enable investor migrants who satisfy the Investor 1 visa criteria to enter New Zealand. This includes investors who:
- 61.1 have been granted a resident visa under the Investor 1 category; OR
- 61.2 have been approved in principle; OR

- 61.3 have an application in process, once it is processed to the approved-in-principle stage.
- 62 As at 28 April 2021 there were 67 individuals who had been approved in principle for an Investor 1 visa, or who had had an Investor 1 resident visa granted offshore but had not previously been able to enter New Zealand due to the border closure, who would be eligible for this exception. As investor visa applications continue to be processed, further investors will become eligible.
- 63 Individuals who meet the criteria but do not already hold a resident visa will be eligible for a 12-month temporary visa. Investors who successfully transfer and invest their nominated funds would then be eligible to apply for a resident visa. A resident visa granted onshore allows the investor to travel in and out of New Zealand (subject to MIQ requirements, if applicable).
- 64 We do not propose a border exception for investors in the Investor 2 visa category. However, investors who have met the requirements for an Investor 2 visa will be able to enter New Zealand once the border reopens.

### **Minimising disruption to the Global Impact Visa through creating a new border exception**

- 65 As noted above, the border closure has prevented participants in the Global Impact Visa pilot programme from entering New Zealand. This is delaying the activation of their ideas and ventures as it is difficult to start New Zealand businesses from outside New Zealand. These people have backgrounds in areas such as managing global venture capital companies and founders of global technology companies in areas including aerospace and entertainment. On 1 June 2021, the Ministerial Group for Border Exceptions agreed to add consideration of a Global Impact Visa border exception to this Cabinet paper.
- 66 We propose a border class exception to enable 50 fellows to travel to New Zealand under this programme over the next year. The Edmund Hillary Foundation will recommend eligible candidates to the Ministry of Business, Innovation and Employment (MBIE), which will confirm the individuals to be included in the class exception. The confirmed fellows will then be invited to apply for a Global Impact Visa to travel to New Zealand.

### **Proposals to rationalise investor visa categories**

- 67 By lifting the price of entry (unless investment is made completely into Angel or seed) and steering investment into more active asset classes, the Active Investor Plus visa marks a big shift in our approach to targeting international investors.
- 68 In order to remove access to competing visa categories, we propose to stop new applications into the Investor 1 visa category **Constitutional conventions**

Constitutional conventions

- 69 Investor 1 visa applications that have already been accepted prior to the date of closure will continue to be processed, and as noted earlier, successful applicants will be eligible for a border exception, meaning they will be able to travel to and enter New Zealand. We note that new Investor 1 visa applications have been submitted at a steady rate, with an average of 15 per month since November 2020.
- 70 We propose to permanently close the Investor 2 visa category. This reflects the shift in objectives: although it has been successful in attracting early career investors, our goal is to attract a smaller number of successful and experienced investors. Investor 2 visa applicants that are currently in processing will continue to be processed to a decision stage awaiting the opening of the borders.
- 71 We do not propose any transitional provisions for the Investor 2 visa category. This means that individuals who have been invited to apply for the Investor 2 visa but who have not yet submitted an application will be unable to apply for the visa. This will affect approximately 75 individuals, and will stem the growing queue of applications that are unable to be decided because of the border closure. Between 1 January 2021 and 31 March 2021, there have been 140 visa applications lodged for the Investor 2 visa.
- 72 Potential investors who previously would have applied for an Investor 1 or Investor 2 visa may choose, if eligible, to apply for the new investor visa.

**Consistency with the Border Exceptions Policy Framework**

- 73 In September 2020, Cabinet agreed a policy framework against which Ministers should consider any expansion of the current exceptions, although policy change to border settings remains at the discretion of Ministers [CAB-20-MIN-0453 refers]. In recommending the above exception, we have taken this framework into account, and consider that this exception meets the relevant parts of the framework. A detailed assessment is set out at Annex Two.

**Implementation**

- 74 Further work is required to finalise the technical details of the proposed new Active Investor Plus visa category, including the definitions of the different acceptable investments and how the weighting system will be applied.
- 75 This paper seeks delegated authority for Minister of Immigration and the Minister for Economic and Regional Development to finalise the technical details of the proposed Active Investor Plus visa category. Subject to Cabinet approval of the proposals in this paper, the new visa category and border exceptions will then be created through changes to Immigration Instructions, certified by the Minister of Immigration.

- 76 There are currently a range of border exceptions that are being implemented with consequential impacts on Immigration New Zealand (INZ's) capacity. In general it is taking six - eight weeks for new border exceptions to be operationalised.
- 77 We propose that the Investor 1 visa category be closed to new applicants and that the Investor 2 visa category be permanently closed, with effect one week from the date of Cabinet's decision being communicated to the public.

### **Financial Implications**

- 78 We propose that the existing charges for Investor category resident visa applications are maintained for the new Active Investor Plus category. These are currently an Immigration Levy charge of \$830, plus a fee of either \$4,240 (for applications made in New Zealand) or of \$4,130 (applications made offshore).
- 79 As INZ's operating costs are funded through third-party fee and levy charges, the proposals in this paper will have no impact on the Crown's operating balances.
- 80 A review of immigration funding is currently underway. Changes to appropriations resulting from the proposals in this paper (in particular the decreases in revenue and operational expenditure arising from the likely reduction in volumes, and any changes to further fee or levy charges) will be taken into account in the Cabinet decisions sought as a result of that work.
- 81 The proposals in this paper will create additional demand for MIQ places. However, given that there is a fixed supply which is managed through the MIQ booking system, no additional costs to the MIQ system will be created by these proposals.
- 82 Changes to IT systems and operational processes arising from the proposals in this paper will be funded through existing appropriations, including as necessary through reprioritisation.

### **Legislative Implications**

- 83 Changes will be required to the Immigration (Visa, Entry Permission and Related Matters) Regulations 2010 to enable the appropriate fee and levy charges to be made.
- 84 The Minister of Immigration will certify changes to Immigration Instructions to implement policy decisions.

### **Impact Analysis**

- 85 Regulatory impact analysis is not required.

## Population Implications

- 86 The small cohort offered border entry will support industries and organisations that create jobs for New Zealanders, including priority groups, by providing investment.

## Human Rights

- 87 The key right impacted by the border restrictions generally is the right of New Zealand citizens to enter New Zealand (as affirmed in section 18(2) of the New Zealand Bill of Rights Act 1990). These proposals have only a minor impact on the ability of New Zealanders to gain access to a MIQ room to enter the country.

## Consultation

- 88 Consultation on the proposed visa settings has been undertaken with select industry representatives, who have noted the following potential risks:
- 88.1 They consider that there is likely to be a significant reduction in applications from high value individuals.
- 88.2 Active investment is particularly risky, especially to people who are not familiar with the New Zealand environment, and some classes require long term investments, meaning that the changes could deter people we would seek to attract. (We note that this is why a higher weighting is proposed for the most active asset classes).
- 88.3 While investors are more likely to be involved in the local economy through active investment, there is no guarantee investors will use their skills to benefit New Zealand businesses.
- 88.4 Entry to New Zealand has been the largest incentive for high net worth individuals applying for Investor category visas since the inception of COVID-19.
- 88.5 There is a risk that investors will choose to circumvent the process by investing in Australia.

## Communications

- 89 We intend to make a public statement announcing the new border exception for investor migrants and the date for closing the Investor 1 and Investor 2 categories. Communications will be managed by the offices of the Minister of Immigration and the Minister for Economic and Regional Development.
- 90 The full criteria for all border exceptions will be published online by INZ, and communicated to immigration and investor stakeholders. The new Active Investor Plus Visa will be supported by a strong communications plan which will be launched in advance of the “go live” date of the new visa category.

## Proactive Release

- 91 The Minister of Immigration will release this Cabinet paper and relevant Minute proactively, subject to redactions consistent with the Official Information Act 1982 at the time of the public announcement or 30 working days following the Cabinet decision as appropriate.

## Recommendations

- 92 The Minister of Immigration and the Minister for Economic and Regional Development recommend that the Committee:

## Background

- 1 **Note** that one of our priorities in the Labour Party manifesto is to progress the Investment Attraction Strategy to attract international investment, skills and talent;
- 2 **Note** that, on 17 March 2021 the Ministerial Group for Border Exceptions agreed in principle, subject to Cabinet agreement, to establish a new border exception for 100 investor migrants and their families;

## Create a new Active Investor Plus visa and associated border exception

- 3 **Agree** to create a new investor visa category called the Active Investor Plus visa;
- 4 **Agree** to establish an associated border exception for eligible Active Investor Plus applicants;
- 5 **Agree** to the following design parameters:
- 5.1 a minimum funds requirement of \$25 million or weighted equivalent that must be invested for three years;
  - 5.2 a requirement to invest in active investments, although it will be possible to invest in bonds for no more than the first twelve months;
  - 5.3 English language requirements (the equivalent of an overall IELTS score of at least 5.0);
  - 5.4 a maximum level of investment in philanthropy, of 40% of their portfolio;
- 6 **Agree** to assign a weighting of 3x to Angel and seed investment and 2x to Venture Capital and private investment;
- 7 **Note** that the minimum funds requirement is higher than most other comparable countries we compete with for investor migrants;



- 8 **Note** that Cabinet could choose a lower minimum funds requirement, which could increase the number of potential investors but would reduce the likelihood of the investment being active investment;
- 9 **Note** that investment in bonds will only be possible for the first twelve months after the visa is granted, and investors who have not met those conditions could be made liable for deportation;

### **Enable qualifying Investor 1 migrants to travel to New Zealand**

- 10 **Agree** to create a border exception to enable Investor 1 resident visa holders and applicants who have been approved-in-principle for an Investor 1 resident visa to be eligible to enter New Zealand if they meet the requirements of the Investor 1 category;
- 11 **Agree** that for investors to qualify for this border exception:
- 11.1 their Investor 1 resident visa application has been processed and approved in principle, subject to the acceptable transfer and investment of nominated funds; OR
  - 11.2 their Investor 1 resident visa application has been approved in principle and they have begun or finished the process of transferring and investing the nominated funds; OR
  - 11.3 their Investor 1 resident visa has been granted offshore but has not yet been used to enter New Zealand;
- 12 **Note** that the proposed exception has been assessed against the relevant criteria in the Cabinet-agreed framework for considering exceptions [CAB-20-MIN-0453 refers], and is considered to meet the criteria;
- 13 **Note** there are currently 67 investor 1 investors who are eligible for this exception, while other investors will become eligible as their applications are processed to the approval in principle stage;
- 14 **Note** that the Minister of Immigration will report back to Cabinet should demand for the border exception greatly exceed the expected number of 100 Investor 1 investors, noting that this is considered unlikely given overall queue numbers and processing times;

### **Create a new class border exception for Global Impact Visa fellows**

- 15 **Agree** to establish a border class exception for 50 fellows (under the Global Impact Visa category);
- 16 **Agree** that the Edmund Hillary Foundation will make recommendations to Immigration New Zealand, who will confirm that the individuals are included in the class exception;

### Closing Investor 1 to new applicants and the Investor 2 category permanently

- 17 **Agree** to close the Investor 1 visa category with effect from one week after Cabinet's decisions have been communicated to the public, to stop the submission of new visa applications;
- 18 Constitutional conventions [REDACTED]  
[REDACTED]  
[REDACTED]
- 19 **Agree** to permanently close the Investor 2 visa category, with effect from one week after Cabinet's decisions have been communicated to the public;

### Financial Implications

- 20 **Agree** that the current fee and levy charges for Investor category applications apply to the new Active Investor Plus category in the interim and that these changes will be reviewed as part of the immigration funding review currently underway;
- 21 **Note** that the decisions above will reduce the future volume of investor applications and that this will impact on both revenue and operating costs, but will have no impact on the Crown's operating balance;
- 22 **Note** that the immigration funding review currently underway will take the decisions above into account when calculating impacts on appropriations;

### Implementation

- 23 **Note** that the proposed border exceptions will result in additional people seeking entry to New Zealand via the Managed Isolation and Quarantine system, but that the impact is expected to be minimal because the expected number of individuals is likely to be small;
- 24 **Invite** the Minister of Immigration and the Minister for Economic and Regional Development to agree to the technical details of the proposed Active Investor Plus visa category; and
- 25 **Invite** the Minister of Immigration to give effect to the recommendations above through issuing drafting instructions to the Parliamentary Counsel Office and certifying amendments to Immigration Instructions.

Authorised for lodgement

Hon Kris Faafoi  
Minister of Immigration

Hon Stuart Nash  
Minister for Economic and Regional Development

## **Annex One: Visual Depiction of Proposals**

See attached A3

**Current business visa settings**

**Investor 1 Resident Visa**  
Active: 2009-present

**Aim:** attract wealthy investors actively running global business

**Current Settings:**

- ✓ Invest \$10 million for three years
- ✓ Spend 88 days in New Zealand over three years
- ✓ Can invest in bonds for the full period

**Outcomes:**

- Attracted \$5.6 billion in investment
- Attracted 560 investors
- 49% investment in bonds from 2017-2020

**Investor 2 Resident Visa**  
Active: 2009-present

**Aim:** attract mid-career, less wealthy investors who will live in New Zealand

**Current Settings:**

- ✓ Invest \$3 million for four years
- ✓ Spend 146 days in New Zealand per year for three years
- ✓ English language requirements
- ✓ Business experience requirements.
- ✓ Must be under 65 years old
- ✓ Can invest in bonds for the full period

**Outcomes:**

- Attracted \$4.8 billion in investment
- Attracted 2,255 investors
- 57% investment in bonds 2017-2020

**Global Impact Work Visa (pilot)**  
Active: 2017-2020

**Aim:** attract and integrate high-impact potential founders, innovators and change-makers

**Current Settings:**

- ✓ Must be selected by Edmund Hillary Foundation

**Outcomes:**

- Attracted \$53.2 million in investment
- Created 157 jobs
- Created 61 new businesses
- Attracted 528 fellows (some of whom are New Zealanders)

**Entrepreneur Resident Visa**  
Active: 2013-present

**Aim:** enable experienced business people to grow or establish high growth businesses

**Current Settings:**

- ✓ Minimum investment of \$100,000
- ✓ Must provide detailed business plan
- ✓ Must set up business within 12 months
- ✓ English language requirements

**Outcomes:**

- 91% visa application decline rate (2017-2018)
- Over 50% sold or closed their business after gaining residence

**Changes proposed to current visa categories and border exceptions**

↓

**Close visa category to new applicants**

**+ proposed border exception for existing applicants**

↓

**Close visa category permanently**

↓

**Class Exception for 50 individuals**

**Pilot to be assessed in 2022**

Constitutional conventions

**New visa proposal**

**Active Investor Plus Resident Visa + border exception**

**Aim:** to attract high wealth individuals to invest actively in New Zealand

**Proposed Settings:**

- ✓ Invest \$25 million or weighted equivalent for three years
- ✓ Invest in active investments
- ✓ Investment in bonds only possible for the first twelve months
- ✓ Must spend 88 days in New Zealand over three years
- ✓ English language requirements

**Plan:** Assess visa settings 12 months after it becomes operational  
Aftercare for investors will be strengthened

- Proposed Weighting System for new visa**
- Angel/Seed investment =3x
  - Private Investment/Venture Capital =2x
  - Philanthropy/Shares =1x

## Annex Two: Assessment of investor border exception against policy framework

The following table assesses the proposed new border exceptions against the policy framework agreed by Cabinet in September 2020 for exceptions for groups other than workforces [CAB-20-MIN-0453 refers].

Criteria	Assessment
Must provide net economic, social, cultural or academic benefits that have national significance for New Zealand (including for defence, national security and foreign policy including benefit for our relationships in the Pacific)	The proposed exception delivers economic benefits by increasing investment into New Zealand businesses and the New Zealand economy.
Must not create more than minimal labour market displacement risks	The small number of people who will enter New Zealand under this exception are not likely to undertake work while in the country. Furthermore, the people who are entering under this exception are so highly skilled and experienced they are unlikely to compete with New Zealanders for roles.
Must be reasonable in light of the tightly restricted border settings	This exception has been deliberately limited to a small defined cohort, which is expected to ensure the proposal remains reasonable in light of the tightly restricted border settings.
Should focus on whether proposed group exceptions deliver a high level of benefits, and are aligned to strategic objectives for the sector and the government	This exception delivers, relative to the size of group proposed, a high level of economic benefits that will assist the government in achieving its goals for the Investment Attraction Strategy and the New Zealand economy.
When considering these groups, in addition, due regard should be given to groups of people who have previously lived in New Zealand or who have an expectation of being able to live in New Zealand permanently	The people who will be entering New Zealand under this exception are approved-in-principle to receive a resident visa or already hold a resident visa which will allow them to remain in New Zealand.
For all group exceptions, the impact on Managed Isolation and Quarantine (MIQ) capacity must be manageable in light of forecast pressures and the nature of the group, taking into consideration the following practical considerations: MIQ total capacity; MIQ timing; MIQ facility requirements; and public health risk/impost on the public health system.	As above, the size of this group has been deliberately limited to ensure it is manageable in light of forecast pressures on MIQ. In particular, it is proposed that all those eligible under this exception will be required to seek MIQ vouchers via the public allocation system.

## Annex Three: New Investor Visa Settings

<b>Active Investor Proposal</b>	
\$25m or weighted equivalent requirement	<p>A weighting system assigns higher value to certain active categories that have higher risk:</p> <ul style="list-style-type: none"> <li>• Angel and seed = 3x</li> <li>• Venture Capital and private investment = 2x</li> </ul> <p>All other acceptable investments will receive a 1x weighting.</p>
12 month limit on Bonds	An investor can hold Government or corporate bonds for the first 12 months only. After this period they must shift funds into active categories.
Philanthropy	Philanthropy capped at 40 per cent of the total investment.
Required number of days	Remain the same as for active Investor 1: 88 days for the three year period.
English Language requirement	The equivalent of an overall IELTS score of at least 5.0.
Offer to participate in aftercare	Agreement to provide contact details to crown entity providing aftercare, networking and activation services.
Monitoring/ reporting back requirements	<p>Visa checks at 2 year and 3 years, to ensure the promised investments are actually being made.</p> <p>Ask investors to participate in survey during 3 year period, and for a further 3 years after permanent residence is granted.</p>
Treatment of funds committed but not drawn	Capital committed to a fund (Venture Capital or private equity), but not yet drawn/called upon, is considered active investment. Investors may hold money in liquid assets in New Zealand (bonds or shares) while awaiting money to be invested in companies.

**Annex Four: International Investor Programme Comparison Table**

	Investor Visa Types (dollars in NZD)	Term length before permanent residence	Other requirements (dollars in NZD)
Australia (3 investor types)	Investor - \$1.61 million	Able to apply for permanent residence after three years	<ul style="list-style-type: none"> <li>• Three years' experience</li> <li>• Record of success</li> <li>• High level of skill in business</li> <li>• Assets valuing at least 2.42 million</li> </ul>
	Significant Investor - \$5.37 million	Able to apply for permanent residence after three years	Specific requirements regarding structure of investment
	Premium Investor - \$16.1 million	Closed to new applicants	Closed to new applicants
Canada	Investor Programme \$1.37 million	Five year investment period	<ul style="list-style-type: none"> <li>• Legally acquired assets of \$2.28 million</li> <li>• At least 2 years' management experience in previous five years</li> <li>• Intend to settle in Quebec</li> </ul>
United Kingdom (One visa – 3 options)	\$3.89 million	10 year investment period	
	\$9.74 million	3 year investment period	
	\$19.47 million	2 year investment period	
United States of America	\$2.49 million	Once conditions are met, a green card can be issued	At least 10 jobs must be created or preserved through the investment within two years
	\$1.25 million in a targeted employment area		
Singapore (three visas)	\$2.59 million in one of the following: <ol style="list-style-type: none"> <li>1. Invest in new or expanding business entity</li> <li>2. Invest in a GIP fund that invests in Singapore companies</li> <li>3. Invest in a new or existing family office</li> </ol>	5 year permanent resident visa which can be renewed in the 5 <sup>th</sup> year if the business: <ul style="list-style-type: none"> <li>• Employs at least 10 employees (half being Singapore Citizens) with an annual business expenditure of \$2 million</li> <li>• Resided in Singapore for at least 2.5 years</li> </ul>	<ul style="list-style-type: none"> <li>• At least 30% shareholding</li> <li>• 5 year business plan</li> </ul>
			<ul style="list-style-type: none"> <li>• Based on future business or investment plans</li> </ul>
			<ul style="list-style-type: none"> <li>• Office must have assets under management of at least \$200 million</li> <li>• Detailed business plan</li> </ul>
Taiwan	\$0.75 million	Three years plus	<ul style="list-style-type: none"> <li>• Invested in a for-profit business and creates 5 jobs for Taiwan citizens</li> </ul>
	\$1.5 million	Three years plus	<ul style="list-style-type: none"> <li>• Invest in government bonds for 3+ years. Excludes passively generated income such as real estate or publically traded stocks</li> </ul>