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| Minister | Hon Michael Wood | Portfolio | Immigration |
| Title of Cabinet paper | Investor migrants policy settings | Date to be published | 7 October 2022 |

List of documents that have been proactively released

| Date | Title | Author |
|------------------|---|--|
| May 2022 | <i>Investor migrants policy settings</i> | <i>Office of the Minister of Immigration</i> |
| 9 May 2022 | <i>CAB-22-MIN-0162.01 Minute</i> | <i>Cabinet Office</i> |
| 10 December 2021 | <i>2122-2175 Potential enhancements to the Active Investor Plus visa</i> | <i>Ministry of Business, Innovation and Employment</i> |
| 16 December 2021 | <i>2122-1943 Active Investor Plus visa: potential design changes</i> | <i>Ministry of Business, Innovation and Employment</i> |
| 4 March 2022 | <i>2122-2596 Investor migrant attraction and aftercare services</i> | <i>Ministry of Business, Innovation and Employment</i> |
| 18 March 2022 | <i>2122-2969 Investor migrants policy settings – draft Cabinet paper for Ministerial consultation</i> | <i>Ministry of Business, Innovation and Employment</i> |

Information redacted

YES / NO

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Some information has been withheld for the reason of constitutional conventions and privacy of natural persons.

[In Confidence]

Office of the Minister for Economic and Regional Development

Office of the Minister of Immigration

Chair, Cabinet Economic Development Committee

Investor migrants policy settings

Proposal

- 1 We want New Zealand's investor visa settings to attract skilled and experienced international investors to help build globally successful Kiwi businesses that align with Government's objectives, and particularly where there are gaps in capital and investor capability. This will see investors becoming active participants in New Zealand's investment ecosystems and making an impact as a condition of their investor visa.
- 2 To better achieve this, we propose to build on Cabinet's decision in August 2021 to create a new Active Investor Plus visa category [DEV-21-MIN-0162] by enhancing the new visa's settings before it is implemented so that it more effectively targets the type of active investor we want to attract.

Issue identification

- 3 We acknowledge that attracting the right type of investment and investor into New Zealand can add real value to our economy, communities and country. We do acknowledge, however, that the current investor migrant visa settings are not fit for purpose and those who currently enter New Zealand under these settings may not be adding value in a way that allows us to achieve our economic and social objectives.
- 4 As a consequence, we are amending the rules and obligations for those who seek to become New Zealanders under an investor resident visa. This will ensure that we are attracting and welcoming the right type of investor and investment into New Zealand.

Relation to government priorities

- 5 The Labour Party's manifesto commitments included an intention to establish a new Investment Attraction 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. The Active Investor Plus visa will be a key pillar in the Investment Attraction Strategy.
- 6 The attraction of global talent and skills is a key outcome sought from the Immigration Rebalance and is critical to support our transition to a high wage, low emission economy.

Executive summary

- 7 Cabinet agreed in August 2021 to create a new Active Investor Plus visa category for skilled and experienced high-value investors [DEV-21-MIN-0162].
- 8 The original issue identified was that the current visa settings do not incentivise investors to invest in the areas where capital is most needed, nor for them to bring their skills and connections to positively impact businesses.
- 9 The August 2021 paper also identified an opportunity to capitalise on New Zealand’s reputation as a safe, secure and attractive destination including our effective handling of the COVID-19 pandemic.
- 10 Conditions have evolved significantly since the original idea was first mooted in early 2021. These include the increased liquidity in many capital markets, and the growing competition for talent (and capital) from competitor countries. There is increasingly more of a ‘capability gap’ in the economy than a ‘capital gap’.
- 11 Officials, in working through the implementation of the visa with a range of Government agencies (including New Zealand Trade and Enterprise (NZTE), Callaghan Innovation and New Zealand Growth Capital Partners (NZGCP)) and non-government stakeholders, have identified improvements that would better meet the Government’s objectives.
- 12 Based on stakeholder feedback, and the changing international environment, we are proposing the following enhancements to the settings for the Active Investor Plus visa before it is implemented, so that it more effectively targets the type of investor we want to attract:

- Incentivise direct investment over indirect investment through the weighting system, as follows:

| Investment category | Weighting |
|--|-----------|
| <i>Indirect investments</i> | |
| Listed equities (i.e. NZX) (50% cap) | 1x |
| Philanthropy (50% cap) | 1x |
| Acceptable seed, venture capital (VC), private equity (PE) funds (including alternative listed equities) | 2x |
| <i>Direct investments</i> | |
| Acceptable direct investment | 3x |

- Reduce the minimum investment threshold from \$25 million to \$15 million, or weighted equivalent (with the most active type of investment requiring \$5 million)
- Improve flexibility for the investor by allowing investors to invest over a three-year investment period (and maintain their investments up to the end of a fourth year)

- Require investor migrants to spend at least 117 days in New Zealand over the four-year investment period, and
 - Limit the scope for passive investment by imposing a cap on listed equities.
- 13 We propose the following high-level criteria for assessing whether funds or programmes should be acceptable investments:
- The fund or platform invests in, or facilitates investment into, New Zealand entities that clearly contribute to the Government's economic strategy (by being high growth potential firms or contributing to positive social and environmental impacts)
 - The fund or platform provides assurance that proper verification is done to ensure that the business is legitimate, (note, this is not a test of its financial health or growth potential, which is for the investor to ascertain)
 - The fund or platform does not prejudice New Zealand's reputation as a responsible member of the world community.
- 14 Joint Ministers (Ministers of Finance, Trade and Export Growth, Economic and Regional Development, and Immigration) have agreed to transfer the location of investor migrant attraction and aftercare services from INZ to NZTE. This should allow better matching of potential investor migrants with more active investment opportunities and the investor community.
- 15 NZTE will play an active role in operationalising the visa. We propose that NZTE will be the steward of determining what is an acceptable investment, as this aligns with their expertise and function. NZTE will liaise with the private sector and other Crown agencies to determine a list of acceptable investments (including funds, platforms or programmes) that investors can invest into or alongside. NZTE will also update the list, in consultation with the private sector, as new products become available over time. Joint Ministers (Ministers for Economic and Regional Development, Research, Science and Innovation, and Immigration) will be required to approve the list and the additions to it over time.
- 16 Immigration New Zealand (INZ) will continue to be responsible for making final decisions on granting visas and assessing whether investors continue to meet the conditions of their visa, as per INZ's statutory authority. We note that INZ employs business immigration specialists to process business visas, including investor visas. In particular, INZ will remain responsible for ensuring that all nominated funds and transactions are legitimate. NZTE will have a role in helping confirm that any investments are acceptable investments.
- 17 To enable immigration instructions to be drafted, clear rules will be developed so that these investment categories are interpreted by all parties in line with the policy intent. We are seeking authorisation from Cabinet to make further decisions on the technical details of the scheme (e.g. to clarify the rules that

should apply where investment assets might not fall neatly into one or other category).

Background

Our business visa programmes target capital and capability to support innovation and economic development

18 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. A discussion of these current business visa is contained in Appendix Three.

Cabinet previously agreed to create a new Active Investor Plus visa

19 The current investor migrant visa settings do not encourage active investment but rather rely on granting resident visas to investors under relatively open settings, and then introducing them to opportunities and investor communities in the hope that they will make more impactful investment.

20 Investor migrants have invested their required amounts largely in passive investment assets (like Government bonds or NZX listed shares) which bring less impact to the New Zealand economy. While research suggests that more active investments are often made outside the visa process, as either additional investment in a separate account or as follow-on investment in later years¹, there is limited visibility over these investments, as investors are not required to report to government on investments made outside the visa process.

21 In response to this problem, Cabinet agreed in August 2021 to close the existing Investor 1 and Investor 2 visas and introduce a new Active Investor Plus visa, which would see active investments made as a condition of the visa

22 The objective of the Active Investor Plus visa is to attract skilled and experienced international investors to help build globally successful Kiwi businesses that align with the Government's objectives, particularly in areas where there are gaps in capital and investor capability.

23 The settings Cabinet agreed to in August aimed to capitalise on New Zealand's reputation as a safe, secure and attractive destination (including our effective handling of the COVID-19 pandemic) by:

- raising the minimum investment threshold to \$25 million, and
- introducing a weighting system that gave preference to more risky but more impactful areas (e.g. seed/venture stage and private investment)

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

over investment into publicly listed equities and/or bonds, which are less risky and often oversubscribed.

We propose enhancements to the new visa's settings to better target active investors

- 24 As economic and public health conditions continue to evolve, with global capital markets now flush with capital, and the challenge increasingly becoming one of capability; the question is how we leverage investors' skills and connectivity to benefit private and often small or early-stage businesses.
- 25 Global competitiveness for talent and capital has increased markedly since August, with the re-opening of many economies now complete and attractive alternatives offered to would-be investor migrants².
- 26 Stakeholders have suggested that we make the visa more attractive to active investors by better reflecting the changing market environment and context and aligning with our international peers, particularly Australia.
- 27 Stakeholders also pointed out that the current high-level settings of the proposed visa did not make a distinction between direct and indirect investment, and that direct investments are more active in nature.
- 28 We consider direct investments to be those where the investor participates directly in a capital raise of a firm, or a share issue, and is subsequently listed as an equity shareholder in a firm's capitalisation table³. This is in contrast with an indirect shareholding through a fund where the investor would sit alongside many other investors, often as a limited partner.
- 29 Typically, being a direct investor in the company brings with it greater exposure but also greater responsibility to that company, and in many cases may result in the shareholder being part of the governance of that company. We consider this a good way to get the investor migrant to bring more of their skills, connections and experience to enhance the firm's growth opportunities. The stronger vested interest motivates them to be more involved.
- 30 By contrast a fund typically has a general partner, or fund manager, who is responsible for making investment calls, and will usually assign someone from the fund to sit on the board of the companies invested in.⁴ However, funds will often select investors based on their connections or associations that might benefit underlying companies and will often offer opportunities for the investor to co-invest with the fund (which would be a direct investment). Therefore, while investors through funds are likely to be less active than investing

² Australia, for example, has two investor visas: 1. The Investor Stream, which has a minimum investment threshold of NZD \$2.69 million (and also requires a score of at least 65 on a points test assessing skills and experience) 2. The Significant Investor Stream, which has a threshold of NZD \$5.38 million.

³ A table showing the equity ownership capitalisation for a firm.

⁴ Depending on the relative size of the investor's commitment to a fund, they may be required to sit on the Limited Partners Advisory Council (LPAC) in which they will have influence on the investments being made.

directly, they are also more likely to be active than investing through bonds or the NZX.

31 We see merit in these suggestions and therefore propose making the following enhancements to better incentivise and attract the most active type of investor migrant, who is most likely to make a significant impact on New Zealand’s economy:

- Incentivise direct investment over indirect investment through the weighting system, as follows:

| Investment category | Weighting |
|---|-----------|
| Indirect investments | |
| Listed equities (i.e. NZX) (50% cap) | 1x |
| Philanthropy (50% cap) | 1x |
| Acceptable seed, VC, PE funds (including alternative listed equities) | 2x |
| Direct investments | |
| Acceptable direct investment | 3x |

- Reduce the minimum investment threshold from \$25 million to \$15 million, or weighted equivalent (with the most active type of investment requiring \$5 million)
- Improve flexibility for the investor by allowing investors to invest over a three-year investment period (and maintain their investments up to the end of a fourth year)
- Require investor migrants to spend at least 117 days in New Zealand over a four-year qualifying period, and
- Limit the scope for passive investment by imposing a cap on listed equities.

To incentivise active participation, we propose that investors must be spend at least 117 days in New Zealand over four years

32 The 117 days requirement is based on an investor spending approximately 28 days in New Zealand each year over a four-year period. We want to see investors maintaining a connection to New Zealand throughout the period during which conditions are held on their visa.

33 As this is a resident visa, we believe it is reasonable to ask for investors to spend around a month in New Zealand each year. It also aligns with the objective of the visa, which is to incentivise investor migrants to become active participants in New Zealand’s investment ecosystems. We also note that for an investor migrant to gain permanent residence in Australia under Australia’s Significant Investor Stream, they must spend at least 40 days per year in Australia over four years.

Assessing whether funds or programmes should be acceptable investments

- 34 We propose the following high-level criteria for assessing whether funds or programmes should be acceptable investments:
- investments are into New Zealand entities that clearly contribute to the Government's economic strategy (by being high growth potential firms or contributing to positive social and economic impacts)
 - proper verification is conducted to ensure that the business is legitimate (note, this is not a test of its financial health and growth potential, which is for the investor to ascertain), and
 - investments do not prejudice New Zealand's reputation as a responsible member of the world community.

Aftercare services will be critical to supporting investor migrants to make active investments

- 35 Joint Ministers (Ministers of Finance, Trade and Export Growth, Economic and Regional Development, and Immigration) have decided to transfer the location of investor migrant attraction and aftercare services from INZ to NZTE from the beginning of the 2022/23 financial year. We have made this decision because it more clearly distinguishes the distinct role of attraction from regulatory decision-making, creates a single government contact point for investors seeking advice on investment opportunities and communities, and enables better matching of potential investor migrants with more active investment opportunities.
- 36 NZTE will play an active role in operationalising the visa. NZTE will be the steward of determining what is an acceptable investment, as this aligns with their expertise and function. We propose that NZTE publishes a list of acceptable investment classes, funds and platforms in which investor migrants can invest.⁵ We envisage that this list will build over time and ultimately include a mix of private and government platforms and programmes.⁶ The list will not contain individual firms.
- 37 Immigration New Zealand (INZ) will continue to be responsible for making final decisions on granting visas and assessing whether investors continue to meet the conditions of their visa, as per INZ's statutory authority. We note that INZ employs business immigration specialists to process business visas,

⁵ An example of a qualifying fund might be any of the venture capital funds that have recently received co-investment from the Elevate 'fund of funds' administered and vetted by NZGCP on behalf of the Guardians of New Zealand Superfund (NZSF). Other funds might include New Zealand-based private equity funds investing predominantly in New Zealand businesses and registered with the New Zealand Private Capital Association, and/or receiving institutional investment from NZSF or ACC, and/or have given certain assurances to NZTE.

⁶ An example of a qualifying platform for direct investment might be the "LiveDeals" programme, which lists NZTE clients looking to raise capital, and where each of these firms has been vetted by NZTE. Other examples of Government programmes which investors could invest alongside might include Kānoa, New Zealand Green Investment Finance, the Sustainable Futures Fund, and various Callaghan Innovation programmes. An example of a platform for connecting investors with philanthropic entities is Philanthropy New Zealand's new matching platform Te Puna Taurite. Other acceptable direct investments may be to any firm that has received investment from an acceptable fund.

including investor visas. In particular, INZ will remain responsible for ensuring that all nominated funds and transactions are legitimate. NZTE will have a role in helping confirm that any investments are acceptable investments.

- 38 Joint Ministers (Ministers for Economic and Regional Development, Research, Science and Innovation, and Immigration) will be required to approve any such list and additions to it over time, consistent with the criteria set out at paragraph 29.

We are comfortable in seeing reduced volumes, but still have a significant pipeline to work through

- 39 We recognise that the settings being proposed are more difficult to meet than those of the existing visas. We are comfortable with having a reduced volume of investor migrants, if this were to occur, as this should be outweighed by the increased benefit the qualifying investors will provide to New Zealand through more active investments.
- 40 The existing investor categories will take time to ramp down, while the new visa will take time to ramp up. The pipeline of investor migrants under the existing investor visa categories will complete the visa process over the next three to four years and it will take one to two years before Active Investor Plus visa applicants begin to make investments, given the proposed phasing of investment requirements. This means that it will take some time for the impacts of the new visa to be visible.
- 41 In August 2021, Cabinet directed officials to conduct an implementation review of the Active Investor Plus visa twelve months after it goes live [DEV-21-MIN-0162]. This would focus on how the scheme is being operationalised and the level of investor and industry engagement with the programme. We continue to see a need for an implementation review, but propose that it occurs 24 months after the visa goes live, providing a longer time period over which to assess how agencies are operationalising the visa and initial uptake from investors and industry.
- 42 Beyond the implementation review, officials will also conduct an impact evaluation of the visa after five years. This will monitor the visa's impact on our growth capital markets, start-ups, SMEs and wider investment ecosystems. This will include impacts beyond the visa period and will require greater efforts to collect data.
- 43 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 at achieving the objectives of supporting increased active investment.

Implementation

- 44 To enable immigration instructions to be drafted, clear rules will be developed so that these investment categories are interpreted by all parties in line with the policy intent.

- 45 This paper seeks delegated authority for the Minister for Economic and Regional Development and the Minister of Immigration to make further decisions on the technical details of the scheme (e.g. to clarify the rules that should apply where investment assets might not fall neatly into one or other category).
- 46 We also seek ongoing authorisation for the Ministers for Economic and Regional Development, Research Science and Innovation, and Immigration to make any changes to the system to identify acceptable investments
- 47 Subject to Cabinet approval of the proposals in this paper, the new visa category (and closure of the existing categories) will then be created through changes to immigration instructions, certified by the Minister of Immigration.

Financial Implications

- 48 We proposed in August that the existing charges for Investor category resident visa applications be maintained for the new Active Investor Plus visa. 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 (for applications made offshore).
- 49 Cabinet has since agreed to interim adjustments to immigration fees and levies as the first step in the Immigration Funding Review, to address the immediate funding shortfall caused by COVID-19 [CAB-22-MIN-0121]. From 1 August 2022, the new fee for the Investor category resident visa applications will be \$4,750 (for applications made in New Zealand), with an Immigration Levy charge of \$3,150. These changes recover costs, as current rates are under-charging.
- 50 There will be further implementation costs arising from the proposals in this paper, including increased costs of promotion and aftercare services and increased costs to monitor regulatory compliance. The quantum of these costs are unknown at this time.
- 51 The fee and levy will be reassessed as part of the implementation review. We note that increases in the fee and levy are unlikely to have an impact on attraction, as the price of application for an investor migrant is relatively insignificant, and thereby inelastic, in relation to the price of investment.

Legislative Implications

- 52 Changes will be required to the Immigration (Visa, Entry Permission and Related Matters) Regulations 2010 to enable the appropriate fee and levy changes to be made (removing Investor 1 and Investor 2 and replacing them with the Active Investor Plus visa).
- 53 The Minister of Immigration will certify changes to immigration instructions to implement policy decisions.

Impact Analysis

- 54 The Treasury's Regulatory Impact Analysis team has determined that the regulatory changes required to support creation of the Active Investor Plus visa are exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor impacts on businesses, individuals, and not-for-profit entities.

Population Implications

- 55 Investor migrants will support industries and organisations that create jobs for New Zealanders, including priority groups, by providing investment. It will have very limited impact on overall population numbers or demand for services.

Human Rights

- 56 We have not identified any potential inconsistencies with either the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Consultation

- 57 This Cabinet paper was prepared by the Ministry of Business, Innovation and Employment. NZTE, Callaghan Innovation, NZGCP, The Treasury and Inland Revenue Department were consulted.
- 58 Officials also consulted with select industry representatives and key players in New Zealand's investment ecosystems on the proposed visa settings including Immigration and legal advisors, banks and wealth managers, investment and immigration associations, private investors and venture capital fund managers, the Productivity Commission, Business NZ, and Philanthropy New Zealand.
- 59 Stakeholders were largely supportive of the policy intent behind the Active Investor Plus visa and commended the challenge of targeting active investment. They emphasised the value that active investor migrants could have on high growth potential New Zealand firms and supported measures to improve flexibility for investor migrants, as it would facilitate more active investment.
- 60 Stakeholders noted the following risks:
- 60.1 Over-prescription in which investments qualify as acceptable risks limiting the pool of talent and risks an investor migrant's ability to innovate
 - 60.2 The Government could be seen as mandating high-risk investments and could be blamed for any consequential losses
 - 60.3 Growth capital markets (e.g. venture capital and seed funds) are currently quite shallow; therefore, there is a risk that investor migrants could flood the market or crowd out other sources of capital

- 60.4 A higher capital requirement could make New Zealand less competitive in relation to our international peers
 - 60.5 An increased role for Crown entities, without a significant level of collaboration with the private sector, could reduce diversity in the investment opportunities presented to investor migrants
 - 60.6 There does not seem to be a problem to solve, as investor migrants do currently invest in active or growth types of investment.
- 61 We have taken these risks on board and will monitor them over time as the Active Investor Plus visa is rolled out.

Communications

- 62 We intend to make a public statement announcing the creation of the Active Investor Plus visa and the closure of the Investor 1 and Investor 2 visa categories. Communications will be managed by the offices of the Minister for Economic and Regional Development and the Minister of Immigration.
- 63 The roll out of the Active Investor Plus visa will be supported by a strong communications and marketing plan, which will be launched in advance of the “go live” date of the new visa.

Proactive Release

- 64 The Minister for Economic and Regional Development and the Minister of Immigration will release this Cabinet paper and relevant Minute of Decision proactively, subject to redactions consistent with the Official Information Act 1982 at the time of the public announcement or 30 working days following Cabinet’s decisions as appropriate or at the time the new visa is open for applicants.

Recommendations

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

Background

- 1 **note** that in August 2021, Cabinet agreed to [DEV-21-MIN-0162] create a new Active Investor Plus visa category for experienced high-value investors with a \$25m investment threshold and a weighting system that gave preference to more risky but more impactful areas
- 2 **note** that global competitiveness for talent and capital has increased markedly since August, with the re-opening of many economies now complete and attractive alternatives offered to would-be investor migrants
- 3 **note** that stakeholders have suggested that we make the visa more attractive to active investors by better reflecting the changing market environment and

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context (particularly other countries 'being open for business') and aligning with our international peers, particularly Australia

Targeting our investor visa settings to encourage active investment

4 **agree** to the following revisions to the settings for the Active Investor Plus visa:

4.1 Incentivise direct investment over indirect investment through the weighting system, as follows:

| Investment category | Weighting |
|--|------------------|
| <i>Indirect investments</i> | |
| Listed equities (i.e. NZX) (50% cap) | 1x |
| Philanthropy (50% cap) | 1x |
| Acceptable seed, VC, PE funds (including alternative listed equities) | 2x |
| <i>Direct investments</i> | |
| Acceptable direct investment | 3x |

4.2 Reduce the minimum investment threshold from \$25 million to \$15 million, or weighted equivalent (with the most active type of investment requiring \$5 million)

4.3 Improve flexibility for the investor by allowing investors to invest over a three-year investment period (and maintain their investments up to the end of a fourth year)

4.4 Require investor migrants to spend at least 117 days in New Zealand over the four-year investment period, and

4.5 Limit the scope for passive investment by imposing a cap on listed equities.

5 **agree** to the following criteria for assessing whether funds or programmes should be acceptable investments:

5.1 investments are into New Zealand entities that clearly contribute to the Government's economic strategy (by being high growth potential firms or contributing to positive social and economic impacts)

5.2 proper verification is conducted to ensure that the business is legitimate (note, this is not a test of its financial health and growth potential, which is for the investor to ascertain), and

5.3 investments do not prejudice New Zealand's reputation as a responsible member of the world community.

Implementation

- 6 **note** NZTE will play a larger supporting role in the Active Investor Plus visa, including being the steward of determining what is an acceptable investment, as this aligns with their expertise and function
- 7 **authorise** the Minister for Economic and Regional Development and the Minister of Immigration to finalise any remaining details for the Active Investor Plus visa
- 8 **authorise** the Minister for Economic and Regional Development, the Minister for Research, Science and Innovation, and the Minister of Immigration to make any changes to the system to identify acceptable investments, consistent with the criteria in recommendation 5
- 9 **authorise** the Minister of Immigration to give effect to the proposals in this paper through certifying changes to immigration instructions
- 10 **direct** officials to undertake an implementation review of the Active Investor Plus visa 24 months after it goes live, and to report back to DEV on the outcome of that review
- 11 **direct** officials to undertake an impact evaluation of the Active Investor Plus visa five years after it goes live, and to report back to DEV on the outcome of that evaluation

Authorised for lodgement

Hon Stuart Nash

Minister for Economic and Regional Development

Hon Kris Faafoi

Minister of Immigration

Appendices

Appendix One: Comparison of proposed revisions to previously agreed settings for the Active Investor Plus visa

Appendix Two: Types of investment

Appendix Three: Existing business visa settings

Appendix One: Comparison of proposed revisions to previously agreed settings for the Active Investor Plus visa

| Element | August 2021 proposal | March 2022 proposal |
|--|---|---|
| Investment threshold | \$25 million, or weighted equivalent | \$15 million, or weighted equivalent |
| Weighting system and investment categories | <p>3x weighting to investments in seed or start-up stage companies.</p> <p>2x weighting to private investment in a small New Zealand business (annual revenue less than \$50 million) or via a venture capital or private equity fund.</p> <p>1x weighting to listed equities and philanthropy (with philanthropy capped at 40 per cent).</p> | <p>3x weighting to investments directly in high-growth potential New Zealand firms.</p> <p>2x weighting to investments in seed, venture capital or private equity funds.</p> <p>1x weighting to listed equities and philanthropy (with listed equities capped at 50 per cent and philanthropy capped at 50 per cent).</p> |
| Sequencing of investments during investment period | An investor can hold Government or corporate bonds for the first 12 months only. After this period, they must shift funds into active categories. | <p>Bonds can only be used as a 'holding' investment until qualifying investments are made.</p> <p>Investors can make qualifying investments throughout a four-year investment period, investing at least 50 per cent in the first 18 months and 100 per cent by the end of the third year. Investments would have to be maintained up until the end of the fourth year.</p> |
| Time spent in New Zealand | 88 days over the three years | 117 days over the four years |
| English language requirement | The equivalent of an overall IELTS score of at least 5.0 | No change to the August 2021 proposal |
| Monitoring/reporting back requirements | <p>Visa checks at year 2 and year 3, 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> | <p>Visa checks at 18 months and 36 months, to ensure acceptable investments are being made, with a final check at 48 months to ensure investments have been maintained.</p> <p>No change to August 2021 proposal to ask investors to participate in a survey.</p> |
| Treatment of funds committed but not drawn | Capital committed to a fund (e.g. 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. | No change to August 2021 proposal |
| Offer to participate in aftercare | Investor provides agreement to provide contact details to Crown entity providing aftercare, networking and activation services. | <p>Joint Ministers have decided to transfer investor migrant attraction and aftercare services from INZ to NZTE.</p> <p>Investors will be required to check in with NZTE in the first 12 months to ensure their aftercare needs are being met.</p> |

Appendix Two: Types of investment

The table below helps to show the underlying rationale for targeting different types of investments. Where we see most value for an investor migrant to contribute is in investments that are very active, fill a gap in the market, and are high risk.

| Type of investment | How Active | Gap in the market | Risk |
|---|------------|---|------------------------------------|
| Many direct investments with a significant shareholding in businesses | Very high | High - if SMEs (with revenues between \$3m-\$30m) or certain start-ups | High - Very high (Seed highest) |
| One or a few direct investments with a significant shareholding | High | High - particularly for SMEs (with revenues between \$3m-\$30m) | Low-high (depending on stage/size) |
| Direct investments but with a small shareholding | Med-low | Med (More follower Angel investors) | High (unless large firms) |
| Alternative listed shares (e.g. Catalyst) | Med-low | Untested | Med-high |
| Seed Funds ⁷ | Med-low | High - few funds, and gap in pre-seed/seed particular sectors (e.g., deep tech) | Very high |
| VC Funds | Med-low | Low (currently) | High |
| PE Funds | Low | Low | Med-high |
| Listed Shares (e.g. NZX) | Low | No gap | Low |
| Government Bonds | Very low | No gap | Very low |

** Philanthropy can be low to high activeness, depending on the nature of the donation.*

⁷ Seed and VC funds often only invite large investors into the fund if they are able to bring expertise, connections to the underlying businesses in the fund.

Appendix Three: Existing business visa settings

The existing investor visa categories have seen limited direct impact on the New Zealand economy

The **Investor 1** visa is aimed at attracting investors who bring skills, international connections and capital. It requires investors to invest a minimum of \$10 million in New Zealand for three years. Investors must spend 88 days in New Zealand over a three-year investment period, during which they have conditions on their visa. There are no language or business experience requirements, nor is there a requirement for investors to use their skills to positively impact businesses.

The Investor 1 visa category has attracted \$6.78 billion in initial investment in the 13 years it has been running. 679 investors have entered New Zealand under this category, the majority in the last five years.

The **Investor 2** visa is aimed at attracting mid-stage career investors to New Zealand. It requires individuals to invest a minimum of \$3 million for four years. It is capped at 400 approved investors per annum, with a points system. Once approved, investors must spend 146 days in New Zealand per year for three years. Investor 2 features business experience and language requirements.

The Investor 2 category has attracted \$5.184 billion in initial investment to New Zealand since 2009. 2,385 investors have come to New Zealand through this category.

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), in addition to publicly listed equities and commercial property.⁸ In fact, most investors have looked to hold their required minimum capital in less risky/active assets so as to not risk falling short of the qualification criteria. 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.⁹

Entrepreneur and Global Impact Visa categories

As part of our suite of business visa programmes, we also have two visa categories that target high-impact entrepreneurs setting up businesses in New Zealand.

The Entrepreneur Category, established in 2014, has the objective of attracting entrepreneurs to establish high growth, innovative businesses with export potential.


⁸ MBIE, Project Oystercatcher (2020). Over May 2017 to September 2020, 51 per cent of investments under investor visa categories were in bonds (9 per cent in Government bonds and 42 per cent in other bonds), 21 per cent in publicly listed shares, and 17 per cent in commercial property.

This included 51 per cent in "growth investment" (shares, direct investment in private companies and property) for Investor 1 and 43 per cent for Investor 2.

⁹ Premium Research. 2016. *Immigration New Zealand Investor Migrant Research 2016: Report on Quantitative and Qualitative findings*. Wellington: Ministry of Business, Innovation and Employment.

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.

Constitutional conventions

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

The Minister of Immigration has extended the Global Impact Visa pilot from 31 December 2021 to 31 December 2022 in order to enable the border exception to be feasible and to enable other Fellows under the scheme to be granted Global Impact Visas once regular visa processing resumes under Step 5 of Reconnecting New Zealanders from October. 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.