

# Hon Simon Watts

Minister of Climate Change  
Minister of Revenue



28 MAY 2024

MOIA 054-24

Marcus W  
fyi-request-26489-54f0ff7f@requests.fyi.org.nz

Dear Marcus

Thank you for your request made under the Official Information Act 1982 (OIA), transferred to myself by Inland Revenue on 15 May 2024. Your original request to the department is the following:

*I want access to documents, both submissions and letters, that the department has received for changes that should be made to the Foreign investment fund tax regime (FIF).*

Inland Revenue found one document in scope that was more closely connected to my functions. The document in scope is attached, with redactions under section 9(2)(a) of the OIA, to protect the privacy of natural persons. The document contains information that is outside the scope of your request. This information has not been considered for release and has been withheld as 'not in scope'.

As is required by section 9(1) of the OIA, I have considered whether withholding the information required is outweighed by other public interest considerations which would make it desirable to make this information available. In this instance I do not consider that to be the case.

If you disagree with my decision, you have the right under section 28(3) of the OIA to ask the Ombudsman to investigate and review my decision. The office of the Ombudsman can be contacted via email at: [info@ombudsman.parliament.nz](mailto:info@ombudsman.parliament.nz).

Yours sincerely

A handwritten signature in blue ink, consisting of a stylized 'S' followed by a horizontal line.

Hon Simon Watts  
**Minister of Revenue**

Not in scope

**From:** s 9(2)(a)

**Date:** Monday, 29 January 2024 at 6:51 PM

**To:** Simon Watts <[Simon.Watts@parliament.govt.nz](mailto:Simon.Watts@parliament.govt.nz)>

**Subject:** Inquiry Regarding Taxation of PIEs and Potential Reform

Dear Simon Watts,

I want to say you did a great job at representing NZ on the global stage at COP 28 and was very impressed with your speech and can't wait to see NZ get back on track.

I am reaching out to seek clarification on the taxation of Portfolio Investment Entities (PIEs) and express my concerns regarding the current tax structure. As you are likely aware, many New Zealanders are subjected to a 1.4% per annum wealth tax when investing in PIEs (PIR x FDR). Kiwis looking to get ahead are finding it difficult to do so through property and the next logical step to invest is through global index funds. But they are then taxed disproportionately higher than they would be through investing in housing or compared to other OECD nations.

Consequently, PIE investors face a significant tax drag over the course of their career - and due to the TTE nature of the tax, it unintentionally becomes a wealth tax on mum and dad investors looking to create a better future for themselves and their children - crazy!

I feel this does not align with the values of the National party. Families who want to create a better future for their kids are faced with a stealth wealth tax.

I previously corresponded with Andrew Bayly, who mentioned that the National party would have more to say on this matter in due course. I am eager to hear your insights on this issue and whether there are any potential reforms or changes on the horizon. While I acknowledge the current unfavourable fiscal environment, I am hopeful that reforms may be considered when the economic conditions improve.

It is worth noting that the FDR rate of 5% per annum was established over 15 years ago, and since then, the average interest rate and global dividend yields have declined. I believe a review of the appropriateness of the 5% rate for PIEs would make sense. A reduction to a more reasonable rate, around 3-3.5% for strictly PIE funds, would be a positive step toward creating a fairer investing environment for Kiwis, especially those who are unable to pursue property investments.

Aligning our tax structure with other OECD nations in this regard would be greatly beneficial. I would welcome exploring other changes/suggestions to PIEs that would align us with the OECD norm.

I appreciate your time and consideration on this matter and I look forward to any insights or

updates you may provide.

Kind regards,



RELEASED UNDER THE  
OFFICIAL INFORMATION ACT